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Beyond the tip of the iceberg: Exploring how EU political conflict structures shape the path of European integration

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Abstract

The EU is forced into a reform deadlock since Member States seem unable to reach a consensus. This contribution explores how EU politics shape the path of European integration. By differentiating between the ‘visible’ (politicization and political contestation), and the ‘often not visible’ dimensions (domestic preference formation and interstate bargaining), we find that political obstacles impose limits on the EU’s ability to advance on its integration agenda. Moreover, the impact of the corona crisis on EU politics is preliminarily assessed – but, whether the EU is politically strengthened or fragmented by the pandemic remains an important issue for future research.

Keywords

European integration, EU Politics, Political Conflict, Reform Deadlock, EU Decision-Making, EU Preference Formation

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1 Introduction

How is it possible that the Economic and Monetary Union (EMU) is still incomplete? As long as the institutional setup of the EMU is incomplete, the European Union (EU) remains fragile. As long as the design flaws of the EMU exacerbate structural divergences, the EU's long-term survival is threatened (De Grauwe, 2015; Giavazzi & Wyplosz, 2015). Not surprisingly, there is a common agreement on the need for reform and no shortage of reform proposals (De Grauwe & Ji, 2019; Geeroms, 2017; Herzog, 2018). Yet, 22 years after the introduction of the euro in 1999, there is still a lack of significant reform progress (Jones et al., 2016; Kudrna, 2017).

What is possibly hindering the implementation of fundamental reforms that could put the EU towards a more sustainable path? This question constitutes an important rationale behind this paper. Although much research has focused on the need for more far-reaching reforms from an *economic* point of view (De Grauwe, 2015; Giavazzi & Wyplosz, 2015; Rossi, 2016), it remains unclear how *political dynamics* determine the course of European integration. This paper explores how EU politics and European integration intertwine. It explains how *political obstacles* present major constraints in the path of European integration. Amid an unprecedented global crisis, it is essential to examine how the behind-the-scenes of politics influence the EU policy-making process to avert future gridlocks (Peel et al., 2020).

The remainder of the paper is organized as follows. Section 2 reviews the relevant literature. Section 3 proposes a theoretical framework to conceptualize the underlying EU political conflict structures. The iceberg problem analogy serves to distinguish the 'visible' dimensions, the *politicization* of the EU issues, and the *political contestation* among Member States (MS), from the 'often not visible' dimensions, the *domestic preference formation*, and the *EU inter-state bargaining processes*. Section 4 discusses how the corona crisis may alter the presented *iceberg model*, and whether the ongoing crisis represents a turning point for European integration. The last section concludes.

2 Literature review

The EMU architecture has been identified as incomplete from its inception by separating monetary and fiscal sovereignty (Jones et al., 2016). Although the response to the Euro Area (EA) crisis marked “a landmark event in the history of European integration” (Hooghe & Marks, 2019, p. 1113) by accelerating fiscal and financial integration (Matthijs, 2020; Schimmelfennig, 2015; Verdun, 2015), the progress made was insufficient (Herzog, 2018; Hodson, 2020; Lehner & Wasserfallen, 2019). Former European Commission President Juncker (2017) declared that the Eurozone remains to be ‘completed’, referring to the EMU architecture as an unfinished construction of a European house.

While there is an overwhelming consensus on the urgent need for Eurozone reforms, MS appear to be unable to agree on future reform steps forcing the EU into deadlock (Kudrna, 2017). In the aftermath of the EA crisis, studies found that integration progress had resulted from an accumulation of “minimal incomplete reforms”, a sequential cycle of partial reforms often agreed upon under the strain of a crisis, that only partially solve the problem (Jones et al., 2016; Kudrna, 2017). While Kudrna (2017) refers to this characteristic pattern of policy responses as a “muddling through” strategy, Jones et al. (2016) describe it as “failing forward” – yet there is a common view that this incremental approach to the construction of the EMU threatens the longer-term sustainability of the Eurozone.

Schmidt (2013, p. 1) was among the first to shed light on the often-unspoken political divisions and stated that the “Eurozone crisis is not just economic, it is also *political*”. Indeed, the politically costly implementation of austerity and structural reforms exacerbated *political volatility* creating the perception of a ‘constant crisis’ (Jones et al., 2016) or ‘polycrisis’ (Zeitlin et al., 2019). Severe political consequences followed, such as the undermining of popular support for the EU fueling Euroscepticism, which ultimately further strengthened the paralysis of the EU decision-making process (Schimmelfennig, 2015).

In their groundbreaking article, Copelovitch et al. (2016) highlight the often undervalued role of politics. By introducing a *political economy* perspective, the authors underline that to fully comprehend the dynamics of the EA crisis, it is necessary to consider the “more than a decade of tensions accumulating [within the EMU]” (Copelovitch et al., 2016, p. 813). Recently, the unprecedented levels of politicization of EU issues have attracted scholarly interest focusing on the growing importance of public opinion (Kutter, 2020; Voltolini et al., 2020; Zürn, 2019). Unfortunately, much of the literature on politicization is limited to the ‘visible’ events, simply describing how the EU reached a crossroads due to controversial crisis reforms (Howarth & Verdun, 2020; Szymanowski, 2020).

However, the question of how changing political dynamics have forced the EU into a reform deadlock still needs to be answered. Lehner and Wasserfallen (2019) recognize that MS face a difficult task to advance the EMU reforms, namely to overcome the deep political conflict, which Demertzis and Wolff (2020) indicate requires a careful balance between economic and political stability in the Eurozone. Furthermore, Wasserfallen et al. (2018, p. 7) provide important findings on the underlying EU political structures that help to understand why EU policy-makers “failed to adopt more far-reaching solutions”.

Although these contributions partially explain some aspects of the EU reform deadlock, there is still a need for a comprehensive analysis that connects both fields of EU politics and European integration studies. This paper seeks to advance this research agenda by conceptualizing how EU politics and the course of European integration intertwine. That is, *how do EU political dynamics impact European integration?* Initially, it is hypothesized that EU countries’ diverging policy preferences pose political obstacles in the path of European integration.

Methodologically, the combination of research from both, qualitative and statistical studies, allowed us to gain encompassing insights on EU politics and European integration. The results referred to throughout the paper are presented in the Appendices, such as Eurobarometer

qualitative studies, Eurostat statistical analyses, or preference formation studies based on the ‘EMU positions dataset’. Note that the ambition of this paper is above all conceptual, as it explores more in-depth the relationship between contemporary EU politics and the path of European integration applying management tools to untangle the ‘often not visible’ underlying conflict structures from the ‘visible’ political conflict. Only by fully grasping how political dynamics contribute to the EU’s state of fragility, the longer-term sustainability of the EU can be ensured. Currently, the EU’s ability to tackle crises is once again under the spotlight which makes it even more pressing to address the underlying political conflict structures.

Revisiting European integration theories

In the study of European integration, it is central to understand the fundamental trade-off between the ‘benefits of size’ and the ‘costs of heterogeneity’ (Alesina & Spolaore, 2003). Market integration reaps benefits of *economies of scale* in the public good provision on the one hand, while political integration leads to *heterogeneity costs* stemming from diverging policy preferences and different state capacities on the other (Alesina & Spolaore, 1997, 2003; Alesina et al., 2017a, 2017b; Spolaore, 2013, 2015). This cost-benefit trade-off raises questions about the drivers of the European integration process, such as what drives European integration, and who is ‘in charge’? The three main schools of integration that attempt to answer these questions are summarized as follows¹ (see also Appendix A).

Neofunctionalism (NF), developed by Haas (1958/2004), explains integration as the interaction of societal actors which creates ‘a series of mutually reinforcing processes’ through ‘spillover’ effects and path-dependencies leading to further integration. From a ‘supranationalist view’, NF claims that the transfer of national competences towards the supranational level occurs due to growing economic interdependence as MS consider EU institutions more promising in achieving their interests (Dür et al., 2020; Hooghe & Marks, 2019; Kuhn, 2019; Schmidt, 2018).

By contrast, Moravcsik (1998) casts light on European integration with Liberal Intergovernmentalism (LI) from the perspective of nation-states who search for *mutually advantageous bargains* in response to international interdependence. LI explains integration outcomes by the three-stage process including the formation of national preferences driven by domestic socio-economic interests, intergovernmental bargaining shaped by asymmetrical interdependence, and the creation of European institutions (Dür et al., 2020; Schimmelfennig, 2015; Schimmelfennig & Winzen, 2019; Schmidt, 2018; Webber, 2019).

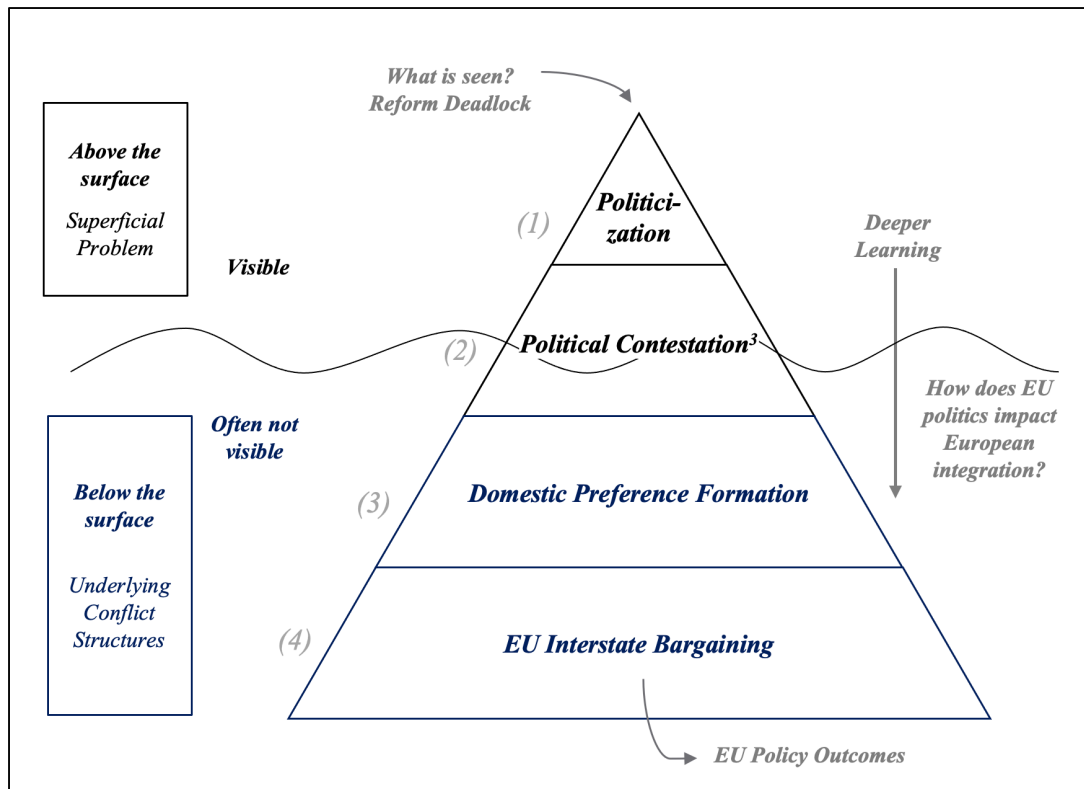
More recently, the increasing politicization of European integration led to the emergence of Postfunctionalism (PF), a radical alternative theory of *disintegration* established by Hooghe and Marks (2009), that emphasizes the primacy of the political over the economic. Whereas NF and LI describe European integration as a *cooperative* process (Schimmelfennig & Winzen, 2019; Webber, 2019), PF sees European integration as a *conflictual* process due to the “clash between nationalism and international governance” (Hooghe & Marks, 2019, p. 1124). Particularly, the shift from the ‘permissive consensus’ in mass public opinion to a ‘constraining dissensus’ creates “downward pressure on the level and scope of integration” (Hooghe & Marks, 2009, p. 21). Thus, *political mobilization of national identity* is identified as a constraining factor of integration (Hooghe & Marks, 2009, 2019).

In sum, these theoretical approaches can be used in conjunction as complementary explanations of European integration from contrasting standpoints² (Hooghe & Marks, 2019; Schimmelfennig & Winzen, 2019), and provide the framework for this paper.

3 Theoretical framework

Understanding how EU politics and European integration intertwine requires simultaneously looking at all the levels of EU politics. For this purpose, a theoretical framework is proposed (see Figure 1). The design of the framework is inspired by the *iceberg model*, a visual tool of systems thinking strategies developed by Senge (1990).

Figure 1. The iceberg model: Exploring how EU political conflict structures impact European integration. Source: Own illustration based on the iceberg model developed by Senge (1990)



Applying the iceberg problem analogy serves to illustrate the ‘big picture’ of the complex EU decision-making process, increasingly dominated by EU politics. In this model, we distinguish between the ‘visible’ and the ‘often not visible’ dimensions. (1) The growing *politicization* of European integration and (2) the *political contestation*³ among MS constitute the visible part of the iceberg above the water surface. Both dimensions have attracted much attention, yet these efforts only scratch the surface of the problem. Moving deeper, we analyze the underlying structures that contribute to the visible problem. (3) The *domestic preference formation* comprises the aggregation of factors motivating national policy positions on EMU reform, which are later negotiated in the (4) *EU interstate bargaining process*, through which individual MS may achieve greater bargaining success in terms of achieving desirable EU policy outcomes.

This tool allows us to see beyond the symptoms, the reform deadlock in a politically volatile environment, and examine the root causes of the problem by exploring the underlying

structures of EU politics, *preference formation, and interstate bargaining*. Although the conceptual model offers a comprehensive view of how EU politics is interlaced with European integration, it should be noted that, due to its static nature, the model merely offers a ‘snapshot’ view of the interacting levels. Nevertheless, it lays the foundation for a longer-term perspective that facilitates the creation of sustainable solutions, instead of temporary, incomplete reforms that solely exacerbate the political disequilibrium.

3.1 The tip of the iceberg

The EU has experienced a turbulent past decade, also described as a ‘traumatic adolescence’ by Wolf (2019), as it has faced numerous, even simultaneous, crises (Hodson & Puetter, 2019; Trein, 2020). This state of turmoil referred to as ‘constant crisis’ (Jones et al., 2016) or ‘polycrisis’ (Juncker, 2016), amplified the continuous political disequilibrium (Hodson, 2019) putting the EU under unprecedented pressure (Bressanelli et al., 2020). As a consequence, the European integration process “is more challenged and contested today than it has ever been” (Voltolini et al., 2020, p. 619). Hodson and Puetter (2019) suggest that this disequilibrium is the product of ‘dysfunctional inputs’ including a declining public trust in the EU and domestic political systems, coupled with ‘dysfunctional outputs’ by consensus-seeking political elites.

In line with this view, *politicization* and *political contestation* are identified as major obstacles to advancing European integration. The European political system has been forced to a deadlock, as the politicization of European integration reaches unprecedented levels, and the EU cohesion is fractured by ‘polycleavages’⁴ (Voltolini et al., 2020; Zeitlin et al., 2019). While the postfunctionalist approach captures the essence of politicization, a fusion of neofunctionalism and new intergovernmentalism is needed to fully grasp the dynamics of political contestation (Jones et al., 2016).

3.1.1 Politicization

EU leaders “must look over their shoulders when negotiating European issues”, state Hooghe and Marks (2009, p. 5). From a postfunctionalist view, politicization *constrains* European integration through a domestic level process that shifts the EU political climate to a ‘constraining dissensus’ (Hooghe & Marks, 2009). European politics have undoubtedly become increasingly politically charged, yet politicization in the EU is “not a new phenomenon” (Schmidt, 2019, p. 1020). Since 1990 the politicization of EU affairs has steadily increased until recently reaching unprecedented levels (Börzel & Risse, 2018; Rauh & Zürn, 2016). The rising politicization accompanied by the increased role for public opinion (Zürn, 2019) has marked the end of the ‘old EU politics’ that existed during years of ‘permissive consensus’ (Lindberg & Scheingold, 1970), and were once characterized as ‘policy without politics’ (Schmidt, 2006).

Despite the popular use of the concept ‘politicization’, there is still considerable ambiguity in its exact meaning and relevance to the European integration process (De Wilde, 2011). In the field of European integration, politicization generally refers to the transfer of an issue or an institution “into the realm of public choice”, hereby “making previously unpolitical matters political” (Zürn, 2019, p. 978), and becoming “the subject of public discussion, debate, and contestation” (Schmidt, 2019, p. 1018). The politicization of European integration is defined by De Wilde (2011, p. 560) as “an increase in polarization of opinions, interests or values and the extent to which they are publicly advanced towards the process of policy formulation within the EU”.

Therefore, the process of politicization encompasses different conceptual dimensions. First, the growing *visibility* of EU decision-making, i.e., the actions of EU’s political elites are now under public scrutiny, leads to an increase in EU issue *salience* and *contestation* (Bressanelli et al., 2020; Hutter & Kriesi, 2019; Schmidt, 2019; Voltolini et al., 2020). Second,

broader participation in EU affairs is reached through the *expansion of the range of actors* (beyond EU elite actors) (Schimmelfennig, 2020; Zürn, 2019). Third, with the greater public engagement comes an associated *polarization* of positions actors adopt on EU issues (Hutter & Kriesi, 2019; Kutter, 2020; Schimmelfennig, 2020; Voltolini et al., 2020).

As for the question of *why EU politicization is rising*, postfunctionalism offers an intuitive explanation: as integration expands into key functions of sovereignty, politicization is expected (Zeitlin et al., 2019). As mentioned in the literature review, the deepening of European integration implies a careful balance between economic benefits and political costs. It seems to be widely recognized that the EU has moved beyond the economic market integration and entered the arena of mass politics triggering the mobilization of national identities and intensified self-determination concerns (Kuhn, 2019; Schimmelfennig, 2020; Zürn, 2019). Although this may be true, citizens' perception of the EU membership benefits has remained relatively stable and considerably higher than the perceived costs (Eurobarometer, 2020a).

Given that politicization is generally viewed as “a response to a too far-reaching European integration” (Zürn, 2019, p. 984), Europeanists perceive it as a problem altering the course of European integration (De Wilde, 2011). Hence, politicization constrains efficient EU decision-making and therefore may endanger or even halt European integration (Schimmelfennig, 2020; Zürn, 2019). Moreover, the manifestation of social consequences is predominantly observed at the domestic level (Schimmelfennig, 2020). Hutter and Kriesi (2019, p. 996) state that politicization “raises fundamental questions of rule and belonging and taps into various sources of conflicts about national identity, sovereignty, and solidarity”, hereby putting national governments under pressure.

Eurobarometer polls (2020a) show how public trust levels, together with the positive image of the EU, and support for the single currency, dramatically dropped throughout the EA crisis (see Appendix B). Against this backdrop of public discontent, the imposition of harsh

fiscal adjustments, especially on the ‘debtor’ countries, set the stage for new political movements and parties (Kutter, 2020). Eurosceptic and challenger parties emerged as they “deliberately used identity politics” (Börzel & Risse, 2018, p. 97), conveniently making the EU the scapegoat (Schmidt, 2019), to mobilize latent anti-European attitudes among a minority of citizens. Consequently, public mobilization in an environment of rising national political volatility and polarized public debates led to a shift in political landscapes (Schimmelfennig, 2020; Schmidt, 2019). At the core of this new political conflict around European integration lie questions of collective identity (Hooghe & Marks, 2009), that take the form of cultural backlash expressing “an alternative vision of Europe” (Kriesi, 2020, p. 7).

To this day we see the consequences in the steady decreasing trust in European institutions (Eurobarometer, 2020a). Throughout the polycrisis, public trust levels in the EU and European institutions slowly recovered, surpassing trust levels in national governments, yet falling behind pre-2007 levels. In contrast, support for the euro remained relatively high rising sharply from 2013 onwards. Similarly, European identity levels have increased or remained stable, except for the years leading to 2010, when nationalism peaked with 46% of Europeans identifying exclusively with their nation-state against 41% who held Europe as a secondary identity (Eurobarometer, 2020a). Thus, while the loss of public trust in the EU had an overall little lasting impact on the support for the euro and European identity levels (Börzel & Risse, 2018), it is widely believed that the increasingly politicized nature of the EU climate has fundamentally altered the course of European integration (Schimmelfennig, 2020).

3.1.2 Political contestation

From a ‘new’ intergovernmentalism view, the persistence of EU’s political disequilibrium is attributed to MS’ inability to deal with politicization and Eurosceptic challenger parties – not to politicization itself (Hodson & Puetter, 2019). In other words, MS with diverse preferences appear unable to manage their conflicting demands, failing to reach a collective agreement, and

ultimately, leading the Eurozone to a deadlock since MS “act by consensus or not at all” (Puetter & Puntischer Riekman, 2020, p. 2). This argument is based on a fusion of neofunctionalist and intergovernmental approaches that conceive European integration as a cooperative process (Schimmelfennig & Winzen, 2019), in which MS are ‘in charge’ (Puetter & Puntischer Riekman, 2020). Whether integration advances, depends on MS’ willingness to engage in reforms – and, as MS are expected to guide their behaviors based on their economic self-interests – they will only choose to deepen integration when it serves them by delegating just enough authority to the European level (Puetter & Puntischer Riekman, 2020; Schimmelfennig & Winzen, 2019).

Consequently, EU leaders are forced to settle on lowest common denominator solutions which leads to a typical pattern of incomplete, partial policy responses (Hooghe & Marks, 2019; Kuhn, 2019). EU scholars have described this gradualist approach to reforms as the ‘failing forward’ argument (Jones et al., 2015), the ‘muddling through’ strategy (Kudrna, 2017), or even as a ‘political paralysis’ (Börzel & Risse, 2018), but all stress the most significant constraint for Eurozone reform is political. Indeed, gradualist reforms rely on preference convergence to deliver agreements but this approach is becoming extremely challenging as political contestation increases (Kudrna, 2017, 2019). Throughout the present work, the term *political contestation* refers to the conflictual process through which clashes between a diverse set of EU actors – mainly national governments, and European institutions – that either advocate *more integration or less integration*, have a bearing on the path of European integration (Marks & Steenbergen, 2002).

The EA crisis provided ample evidence on the existing deep political fissures and raised questions whether the creation of the EMU has turned the EU into a polarized, fundamentally contested system further separating, instead of uniting, MS (Bressanelli et al., 2020; Frieden & Walter, 2017; Kudrna & Wasserfallen, 2020). At times of crisis and under the stress of visible

political contestation, EU actors are placed on the horns of a dilemma, forcing a difficult choice between European interests and domestic demands (Bressanelli et al., 2020; Puetter & Puntscher Riekmann, 2020).

Overall, efforts made by MS may have helped to save the single currency, but their political choices have not escaped criticism and been blamed for amplifying the EU's disequilibrium (Hodson, 2019; Hodson & Puetter, 2019). A growing body of literature suggests that the EA crisis is rooted in the EU political economy, and fundamentally, in the underlying, unresolved conflict structures that generate mounting socio-political tensions on distributional issues, threatening the future of the monetary union itself (Copelovitch et al., 2016; Frieden & Walter, 2017; Puetter & Puntscher Riekmann, 2020).

It is well known that during the EA crisis, the Eurozone's political cleavage widened as a result of the intensified distributional conflicts among MS (De Grauwe, 2019; Schäfer et al., 2020), which portrayed a lack of European solidarity (Jones & Matthijs, 2017). Eurostat data confirms how the asymmetrical cost of adjustment⁵ reinforced the macroeconomic divergences within the EMU (Eurostat, 2020a, 2020b, 2020c), widening the divide between the so-called creditor-debtor, the North-South, or the Core-Periphery (Copelovitch et al., 2016; Matthijs & Merler, 2020; Stockhammer et al., 2020) (see Appendix C).

This distributional conflict reflected in the current account imbalances is commonly discussed in the context of EU politics to explain diverging positions on EMU reforms, e.g., export-oriented, creditor countries with a budgetary surplus advocate for fiscal discipline, while import-oriented, debtor countries with a budget deficit ask for more fiscal transfers (Kudrna, 2017; Kudrna & Wasserfallen, 2020; Trein, 2020). Advocates of fiscal discipline claim that strict deficit and debt rules are required to stabilize the monetary union, whereas supporters for fiscal transfers argue that account imbalances can only be stabilized through transfers, as the

EMU deprives MS of fundamental stabilizing instruments (De Grauwe, 2013; De Grauwe & Ji, 2015; Pisani-Ferry, 2014).

Interestingly, Lehner and Wasserfallen (2019) find that this particular one single-dimensional policy conflict between advocates of fiscal transfer and discipline dominates EMU politics. Their in-depth scaling analysis relies on the ‘EMU Positions’ dataset including positions of all EU MS and six EU institutions for 47 contested issues of the recent EMU reforms between 2010 and 2015. It shows how political contestation was shaped by the longstanding conflict among two opposing coalitions: the ‘North’ prioritizing fiscal discipline and the ‘South’ advocating for more fiscal transfers. Importantly, the empirical findings reveal how the politics of EMU reform in general, independently of the range of the policy proposals, are structured by the underlying conflict between fiscal transfer and discipline. Additionally, the spatial distribution of EU countries on this one-dimensional scale highlights the key role of France and Germany as ‘leaders’ of both opposing coalitions. Although Germany may be pressured by countries with more extreme positions such as Finland and the Netherlands, the fact that France and Germany hold positions at the opposing ends offers an ‘ideal setting’ for Franco-German proposals to potentially gain support from both MS groups, and thereby unblock the reform gridlock. This implies that the two opposing coalitions are required to reach compromises and trade concessions through a constant negotiation process (Lehner & Wasserfallen, 2019) (see Appendix D). Consequently, as *political contestation* increases, the EU political conflict deepens, and political consensus becomes harder to achieve, thereby posing a major constraint on European integration (Bressanelli et al., 2020).

3.2 The underlying political conflict structures

What determines countries’ positions for EU negotiations? And how are divergencies aggregated at the European level to achieve (or not) consensus? The next section considers both

questions to cast light on how the behind-the-scenes of EU politics impacts European integration. The theoretical point of departure is that European integration can only advance through joint action, or more specifically, consensus on reforms through the negotiation of compromises (Biermann et al., 2019; Frieden & Walter, 2018; Kudrna, 2019). More broadly, European integration is determined by the EU policy-making process which can be divided into the *demand side* for reform, the national preference formation, and the *supply side* for reform, the EU interstate bargaining process (Biermann et al., 2019; Wasserfallen et al., 2018).

To make sense of the EU political economy, it is therefore essential to analyze how these underlying processes contribute to the ‘visible’ political conflicts and reform outcomes that shape the future path of European integration (Frieden & Walter, 2018). Importantly, the domestic and EU-level policy-making process cannot be contemplated separately, as they are interwoven and simultaneously at work, constantly interacting with each other (Csehi & Puetter, 2020; Karremans, 2020).

Hence, in the context of the shifting dynamics of EU governance with all EU actors becoming increasingly empowered but also mutually dependent, rather than asking ‘who is in charge of European integration’, it is more appropriate to investigate whether and how the complex political multi-level interactions translate into reform outcomes (Carstensen & Schmidt, 2018; Schmidt, 2018).

3.2.1 Domestic preference formation

There is a widespread notion that the EU decision-making process is constantly challenged by the heterogeneity in MS’ national interests, yet there is still considerable disputation about the drivers of the preference formation process (Alesina et al., 2017a; Csehi & Puetter, 2020).

LI contends that governmental preferences on European integration stem from “critical positive or negative interdependence”, meaning that MS will seek integration either to reap benefits or avoid losses (Schimmelfennig, 2015, p. 179). This rather ambiguous explanation

makes it fundamental to further investigate the preference formation process. Ultimately, the set of national positions constitute the *EU preference constellation*, the ‘starting point’ for the negotiation of an EU-level agreement (more details on this will be given in subsection 3.2.2) (Frieden & Walter, 2018). Thus, we begin by exploring the key factors that shape national goals, or simply ‘national preferences’⁶ (Moravcsik, 1998), that determine “the way [the national government] orders the possible outcomes of an interaction’ on the EU-level” (Frieden, 1999, p. 42). The existing literature offers two lines of reasoning behind the national preference formation process, one focusing on domestic *economic* conditions, the other emphasizing the growing importance of domestic *political* conditions.

From the economic perspective, MS’ preferences stem from their domestic economic interests, mostly based on their export-dependence, fiscal position, and financial exposure (Kudrna & Wasserfallen, 2020; Puetter, 2020; Schimmelfennig, 2015). Recent studies further indicate that economic considerations prevail in the national preference formation over political considerations such as ‘left-right’ party ideology or public opinion (Kudrna & Wasserfallen, 2020). Târlea et al. (2019) show that governments acted as ‘risk minimizers’ in response to the EA crisis, and adjusted their preferences on EMU reform according to their countries’ financial sector exposure towards other EU countries. In particular, they demonstrate a correlation between greater financial vulnerability and a higher degree of support for Europeanized solutions. These findings have two important implications. Firstly, they emphasize it may be difficult to align MS’ preferences on EMU reforms as these are ultimately shaped by domestic structural economic conditions. At the same time, these results support the view that a greater economic interdependence in the Eurozone leads to greater integration (Târlea et al., 2019).

In contrast, from a political viewpoint, governments’ preferences are guided by vote maximization taking into account domestic political conditions comprising societal, ideological, and institutional factors (Frieden & Walter, 2018). Concerning the societal factors, the growing

role of public opinion is seen as a key determinant of national positions (Schäfer et al., 2020; Vilpišauskas, 2013). Evidence found by Degner and Leuffen (2019), demonstrates that governments, particularly the German government, became more responsive to citizens' policy demands during the EA crisis. Furthermore, the authors argue that economic conditions do not generally prevail in EU politics as demonstrated with the case of Brexit (Degner & Leuffen, 2019). Moreover, domestic preferences may also be rooted in the ideology of party politics and influenced by domestic institutions such as national parliaments (Frieden & Walter, 2018).

Overall, these contradictory findings pitting *economic* against *political* dominance in the governmental preferences confirm the complexity in identifying the explanatory factors for national positions. All of these factors certainly influence governmental preferences, but which one of them is more important? Kudrna et al. (2019) offer an overarching argument that reconciles these differing views based on country-specific conditions. This approach explains variations in the preference formation of EU countries in terms of *inclusiveness of actors*. While the role of governmental actors is found generally dominant, there are countries in which national positions are also considerably shaped by the public, political, and business actors, as well as EU institutions (Kudrna et al., 2019) (see Appendix E).

It is worthwhile noting that national positions need to be analyzed with caution as these can only be *estimated*. On the one hand, EU countries' *revealed* preferences may not always mirror their *true* preferences, and on the other, these preferences may be *limited* to the policy proposals currently under discussion (Frieden & Walter, 2018).

Taken together, these findings suggest firstly, that national positions are the sum of the complex interaction between different domestic conditions, and secondly, that the diverging preferences among EU countries will translate into conflict and bargaining (Degner & Leuffen, 2019; Puetter, 2020). Ultimately, MS need to reach consensus at both the domestic and EU-level (Karremans, 2020).

3.2.2 EU interstate bargaining

Let us now turn to the aggregation process of heterogeneous national positions at the EU-level, referred to as *interstate bargaining*. Eventually, the two-way interaction between domestic preference formation and interstate bargaining translates into policy outcomes that affect the integration trajectory. Hence, whether national preferences materialize into European policy reforms largely depends on the mechanisms of interstate bargaining (Degner & Leuffen, 2019).

The EU decision-making process is consensus-oriented, which implies that MS trade-off their reluctance to delegate sovereignty power against their desire for EU policy co-ordination to, for instance, avoid a ‘common bad’ (Biermann et al., 2019; Frieden & Walter, 2018; Puetter & Fabbrini, 2016). Thus, MS will adjust their willingness to cooperate according to their distinct interpretation of this ‘integration paradox’ (Schild, 2020).

For the sake of simplicity, we can think of EU interstate bargaining as a ‘race’ between MS to negotiate a consensus near to their positions. Following this logic, the EU can be seen as a ‘negotiation setting’ (Lundgren et al., 2018), and MS’ differing levels of willingness to engage in reforms can be attributed to their varying ‘starting points’, namely their diverging preference constellations (Biermann et al., 2019). However, this fails to fully explain why some MS may be more successful in drawing an EU political output closer to their national position. This asymmetric bargaining success can be attributed to a “country’s relative strength within the EU” (Karremans, 2020, p. 18), or simply their relative *bargaining power* (Frieden & Walter, 2018). According to the bargaining theory, a state’s bargaining power is determined by *the characteristics of the country itself*, the conditions of the bargaining situation such as *the preference constellation* of EU actors, and *the wider institutional setup* of the bargaining game (Frieden & Walter, 2018).

Firstly, rather than focusing on the economic resources, the country’s characteristics stress the individual ‘costs of non-agreement’ which establish the degree of political will to

compromise as well as the extent of commitment to avoid the *reversion point* (Biermann et al., 2019; Frieden & Walter, 2018). During times of crisis, actors under less pressure hold greater bargaining power than those who urgently require joint action, and thus, are in a weaker position to negotiate (Finke & Bailer, 2018). It should be noted that, although a failed negotiation could simply represent the continuation of the status quo (Frieden & Walter, 2018), it could also result in an extremely costly reversion point for all MS because, as the German Chancellor Angela Merkel warned during the EA crisis, “[i]f the euro fails, Europe fails” (Spiegel, 2010). Therefore, as status quo costs rise for specific MS, their bargaining power weakens (Schild, 2020).

Secondly, assuming that consensus emerges from the convergence of preferences, countries holding more *centrist positions* along the EU preference constellation are more successful in obtaining their preferred outcomes (Lundgren et al., 2018). That is, these ‘neutral’ countries take the role of the ‘pivotal voter’ since their support is demanded to conclude an agreement, which gives them greater bargaining power (Frieden & Walter, 2018). By contrast, countries with strong preferences are forced to make more concessions to incentivize other MS to cooperate, which increases their dependency (Schild, 2020). This was the evident case during the EA crisis bargaining, in which, despite the strong collective preference to stabilize the EA, creditor countries attempted to shift the burden of adjustment to debtor countries (Schimmelfennig, 2015).

Lastly, another source of bargaining power arises from the institutional decision rules of the bargaining game. Particularly, a state’s bargaining success may vary depending on whether decisions are taken by unanimity or qualified majority voting (Frieden & Walter, 2018). Furthermore, actors may enjoy enhanced bargaining power if they can make credible threats to veto proposals or act as the ‘agenda-setters’ controlling the issues available to negotiate (Moravcsik, 2018; Schimmelfennig, 2015).

Since the EA crisis, it has been widely accepted that the Eurozone is shaped by asymmetric power (Maris & Sklias, 2020). Following this view, particularly Germany is seen as a ‘hegemonic’ influence in Europe (Moravcsik, 2018), whereas others attribute the role of ‘most powerful’ MS to both, Germany and France (Schild, 2020). However, the conventional narrative of asymmetric dominance is refuted by recent evidence. Lundgren et al. (2018, p. 67) find that during the EMU reform negotiations, MS enjoyed a strikingly even bargaining success, thereby declaring “no clear winners and losers” (see Appendix F). Nevertheless, the role of agenda-setting powers is also confirmed by studies. Lundgren et al. (2018) indicate that MS aligned with the European Commission’s position benefit from higher bargaining success, whereas Degner and Leuffen (2018) show that, even if France and Germany did not dominate, they exercised ‘negative power’ to remove certain agenda proposals.

In sum, these results confirm that the EU interstate bargaining process can only deliver an outcome if all MS engage through mutual compromises and concessions to overcome their differences (Lundgren et al., 2018).

4 Discussion

At the time of writing (December 2020) the world is fighting covid-19 resurgence (World Health Organization, 2020). Once again, the asymmetrical design of the Eurozone’s institutional framework has been revealed. Yet this time, the European response to the corona crisis stands in remarkable contrast to previous crises. For the first time, the EU has pushed forward a €750bn *temporary* recovery instrument, the *Next Generation EU* (NGEU) fund (European Commission, 2020a). To combat the pandemic’s asymmetrical impact (Lagarde, 2020), the NGEU fund will unprecedentedly be financed by common EU debt and €390bn will be provided as *grants* to the hardest-hit countries (European Commission, 2020a, 2020b).

At first glance, one could argue that MS have learned the lessons from past crises, jointly calling for financial solidarity rather than imposing austerity measures to stabilize the EA

(Matthijs, 2020). Indeed, the European response to the ongoing corona crisis seems reminiscent of Monnet's thinking that 'Europe will be forged in crises' (Schimmelfennig, 2018), but it also raises many questions about how the pandemic may alter the logic of EU decision-making, now that the debate about further burden-sharing has been revived (Kudrna et al., 2020; Schoeller, 2020). Following this paper's analogical reasoning and focusing on the so far 'visible' events, we preliminary assess how the corona crisis, symbolically a 'superwave', may alter the structure of the presented iceberg model⁷.

Regarding the effect of the pandemic on *public opinion*, it may be assumed that the crisis would exacerbate the *politicization* levels of European integration as previous crises have (Hutter & Kriesi, 2019). When the pandemic first hit EU countries, governments were caught in a dilemma between *public or economic health* (Herrera et al., 2020) to which they responded with a set of uncoordinated border closures, framing the crisis mostly as a national problem (Medeiros et al., 2020). European unity seemed to collapse again under severe pressure (Rachman, 2020). As the pandemic spread unequally across the EU, and in the absence of a European response, the idea of a borderless Europe was questioned (Hall, Chazan, et al., 2020; Opiłowska, 2020; Wolf, 2020). Unsurprisingly, the first survey results show severe drops in trust levels in politicians, the media, and the EU, emphasizing a demand for 'competent leadership and realistic solutions' (Daniele et al., 2020). Moreover, recent Eurobarometer data (2020b) indicates that an absolute majority (54%) supports a larger EU budget to overcome the impact of covid-19, positioning public health as the top spending priority. Although the image of the EU steadily improves, a majority remains dissatisfied with the (lack of) solidarity shown between EU MS, and two out of three respondents think that the EU "should have more competences to deal with crises" (Eurobarometer, 2020b) (see Appendix G).

As mirrored in the citizen dissatisfaction with EU solidarity, it would be misleading to assume the deal of the NGEU has resulted from a sudden preference convergence. While it is

true that the approval of the European Recovery Fund marks a historic moment for the EU, its negotiation process has exposed deep political fissures (once again). To understand the effect of the pandemic on *political contestation*, we can turn to the literature of crisis decision-making which studies how crises serve as catalyzers for change as they increase the clarity of common objectives, hereby promoting consensus to achieve these objectives (D’Erman et al., 2020). Thus, a major crisis such as the corona crisis marks a ‘critical juncture’ in which “longstanding preferences become more fluid” (Schild, 2020, p. 454), helping to surmount divisions when MS negotiate under pressure (Fleming & Peel, 2020). This approach is useful to comprehend the “historic breakthrough” in EU politics achieved by France and Germany as they astonishingly united to advance an ambitious co-ordinated European fiscal response (Hall, Fleming, et al., 2020; Panetta, 2020; Wolf, 2020). Notwithstanding their longstanding policy differences over the need for greater burden-sharing, the Franco-German cooperation has been instrumental in bringing about the idea of a European fund, later formalized by the European Commission as the NGEU, to ensure a ‘more even comeback’ providing ‘fiscal space’ to weaker economies (Fleming, Mallet, et al., 2020; Fleming & Peel, 2020).

However, rather than recalibrating the EU preference constellation, the significant shift in Germany’s attitude towards fiscal transfers evidenced the existing political tensions (Khalaf, 2020). First, the idea of providing grants to stricken countries was met with resistance from the ‘frugal four’ (the Netherlands, Denmark, Sweden, and Austria) (Khan & Fleming, 2020), and more recently, Hungary and Poland attempted to block the negotiation process threatening to veto Europe’s fund in protest against the new rule of law safeguards (Fleming, Peel, et al., 2020). In the end, after a two-day Euro Summit in Brussels, the 27 EU MS surmounted divisions to unlock the historic €750bn package involving the unprecedented European debt issuance (Fleming & Peel, 2020).

Germany's break with its longstanding commitment to frugality, as reflected in Merkel's famous vow of "there won't be Eurobonds as long as I live" (Spiegel, 2012), raises the question of whether the corona crisis will mark a historic *turning point* for European integration. On an optimistic note, the European Commission (2020c) plans to turn the extraordinary challenges of the corona crisis into a unique opportunity to bounce back stronger by investing in "a greener, more digital and more resilient Europe". On a more skeptical note, the fact that the NGEU fund is a *temporary* crisis-fighting tool downplays its significance (Arnold, 2020). The argument for a permanent system of fully mutualized debt has already gained much attention given the growing demands for greater solidarity to mutualize the fiscal costs to tackle this crisis (Financial Times, 2020a; Fleming & Peel, 2020; Regan et al., 2020). At the same time, even if the recovery fund is not permanent, it has the potential to *permanently alter* how the EU handles future crises (Financial Times, 2020b; Fleming & Peel, 2020).

The forceful response to the crisis is seen as another "whatever it takes" moment from EU leaders confirming their political commitment to preserving the EU (Wolf, 2020). Yet, bearing in mind the saying, "do not to count your chickens before they hatch", the EU's *moment of truth* remains to be determined by the success of the NGEU (Hall, Chazan, et al., 2020). That is, even if the NGEU symbolically represents a promising step in the right direction, it could also represent a potentially dangerous moment for the EU (Münchau, 2020; The Economist, 2020). In other words, if the recovery fund is well-spent, it could present a unique window of opportunity to address productivity concerns (Arnold, 2020) – yet, if funds are mismanaged, the risk of exacerbating pre-existing economic inequalities is very real (Arnold, 2020; Bergsen, 2020; Hall, Chazan, et al., 2020). Critically, the NGEU fund is *no cure-all* for the EU but simply a recovery tool that must be combined with ambitious structural reforms – if the gap among EU countries is ever sought to be closed (Roldán, 2020; Vallée, 2020).

Additionally, the implementation of reforms is necessary to increase the growth potential of EU countries, which will be crucial to tackle the record-high budget deficits fueled by the pandemic crisis without undermining the long-term financial sustainability (Arnold, 2020; Financial Times, 2020c). After all, even if the recovery fund pushed the boundaries of what is politically feasible, building new instruments for each crisis is not an option since an EU agreement becomes extremely difficult to secure when the political momentum dissipates (Bergsen, 2020; Fleming & Peel, 2020).

5 Conclusion

This paper aimed to shed light on how EU politics and the course of European integration intertwine. We argued that EU political conflict structures reinforce the reform deadlock, hereby constraining European integration, and ultimately, accentuating the incomplete and fragile nature of the EMU architecture. Based on existing literature, this paper proposes a theoretical framework to conceptualize the complex system of EU politics, differentiating between the ‘visible’ dimensions of *politicization* and *political contestation*, and the ‘often not visible’ processes of *domestic preference formation* and *EU interstate bargaining*. The findings of this research suggest that EU policy outcomes depend on MS’ ability to overcome significant political barriers to reach consensus. These findings have three broader implications.

First, the iceberg model emphasizes the constant two-way political interaction between the *domestic* and the *EU-level*. In particular, it illustrates how rapidly changing political dynamics at the national level add to the EU political disequilibrium and potentially translate into EU policy outcomes (Carstensen & Schmidt, 2018; Karremans, 2020). Second, the paper further underlines the need to consider the new changing political dynamics when looking at the European integration process through the lenses of integration theories. It is only by truly understanding the complex relationship between these changing political dynamics and the course of European integration, that it is possible to adopt far-reaching reforms (Jones et al., 2016;

Kudrna, 2017; Wasserfallen et al., 2018). Finally, these findings confirm the key role of contemporary EU politics in determining the path of European integration (Copelovitch et al., 2016). Returning to the initial hypothesis, it is now possible to state that political obstacles impose limits on the EU's ability to advance on its integration agenda.

By investigating the EU political conflict structures, this contribution adds to the literature on European integration from a political economy perspective. However, further work needs to address the increasing complexity of EU politics since this paper is limited by the static nature of the theoretical framework presented. Additionally, as the corona crisis continues to test the stability of the EU, its full impact is yet to be analyzed. An important issue to resolve for future studies is whether the EU may end up being politically strengthened or fragmented by the corona crisis. The recovery fund marks a historic advance for European integration, yet it remains to be seen whether it has unfortunate side effects that could accentuate distributional issues and endanger the EU's cohesion.

Challenging times still lie ahead, and whether the corona crisis will 'make or break' the EU remains to be seen in the future (Regan et al., 2020). Clearly, the EU's fragile state cannot endure another political crisis, and fundamental reforms cannot be postponed anymore. The EU leaders' *moment of truth* has come to unite in solidarity, reconfirm their political commitment, and move the EU beyond the political impasse. Once and for all, EU leaders need to join their efforts in a spirit of compromise and break down political barriers to prioritize the shared interests of all EU citizens. More than ever, it is now the EU leaders' *moment of truth* to pave the way to recovery through the adoption of forward-looking reforms that ensure the longer-term sustainability of the EU. As Vice-President of the European Central Bank Luis de Guindos (2020) declares, "[t]his will take a heightened level of political will and ambition from all sides in the EU, but we need to rise to the challenge. The price of inaction is too high."

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Appendices

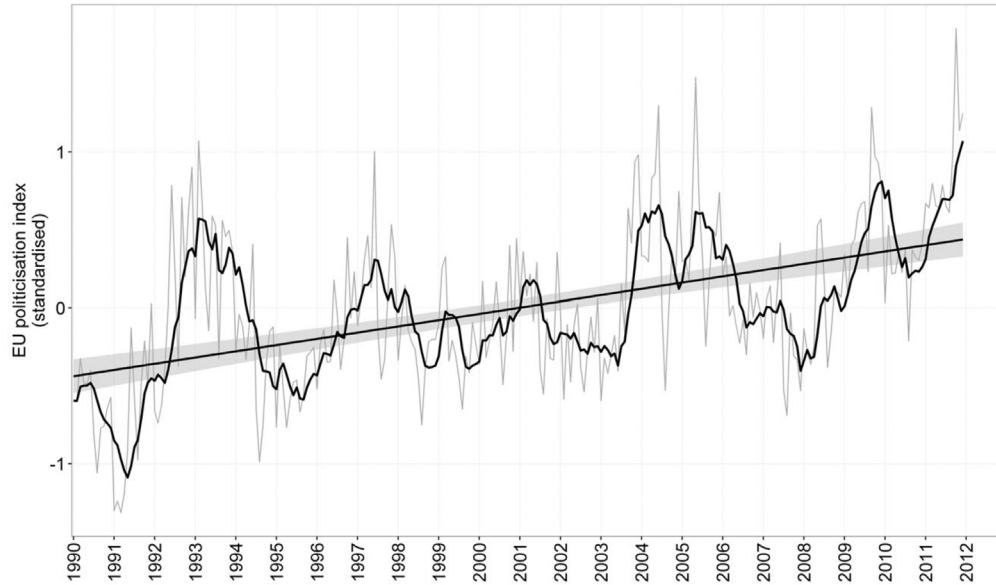
Appendix A. Revisiting the integration theories

Table 1. Grand theories of integration. Source: Own illustration.

	<i>Grand schools of integration</i>		
	<i>Neofunctionalism (NF)</i>	<i>Liberal intergovernmentalism (LI)</i>	<i>Postfunctionalism (PF)</i>
<i>Theorists</i>	Haas (1958/2004)	Moravcsik (1998)	Hooghe and Marks (2009)
<i>Standpoint</i>	Supranational actors	Member States	Public opinion and national governments
<i>Understanding of integration</i>	Integration as a <i>cooperative</i> process resulting from the interplay among <i>societal</i> actors	Integration as a <i>cooperative</i> process resulting from the interplay among <i>national governments</i>	Integration as a <i>conflictual</i> process Politicization as a <i>constraining factor</i> of integration
<i>Factors explaining integration</i>	‘Spillover’ effects and path-dependencies	Interstate bargaining driven by domestic socio-economic interests	Public opinion and government motivations for its preferences
<i>Focus on</i>	Supranational Reform	Domestic preference formation	Domestic Politics: the shift from ‘permissive consensus’ to ‘constraining dissensus’
<i>Stance on integration</i>	Optimistic	Conditionally Optimistic	Pessimistic (Theory of <i>disintegration</i>)
<i>Economics vs. Politics</i>	Primacy of economics over politics	Primacy of economics over politics	Primacy of <i>politics</i> over economics
<i>Limitations</i>	Fails to consider intergovernmental bargaining	Distorted ‘Snapshot’: disregards path-dependencies Fails to consider political interests and the growing influence of supranational actors	Explanatory relevance questioned as it fails to explain why the EA crisis resulted in deeper integration

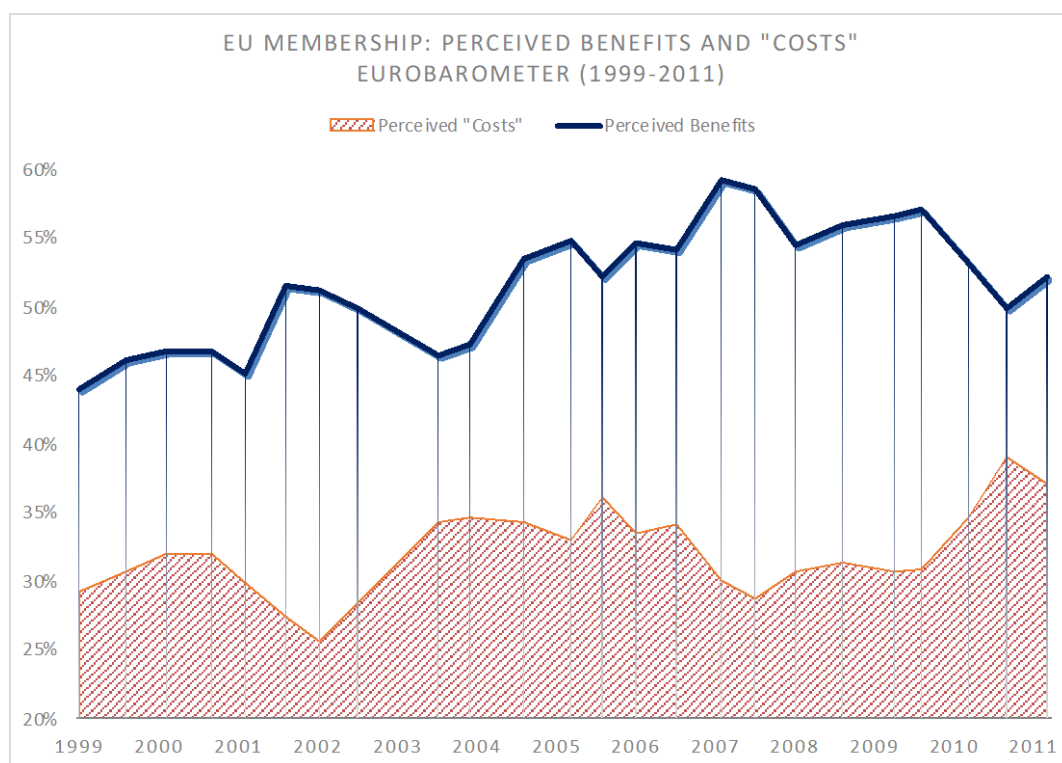
Appendix B. Politicization shown in Eurobarometer data

Figure 2. The politicization of EU affairs. Source: Figure from Börzel and Risse (2018), Data from Rauh and Zürn (2016).



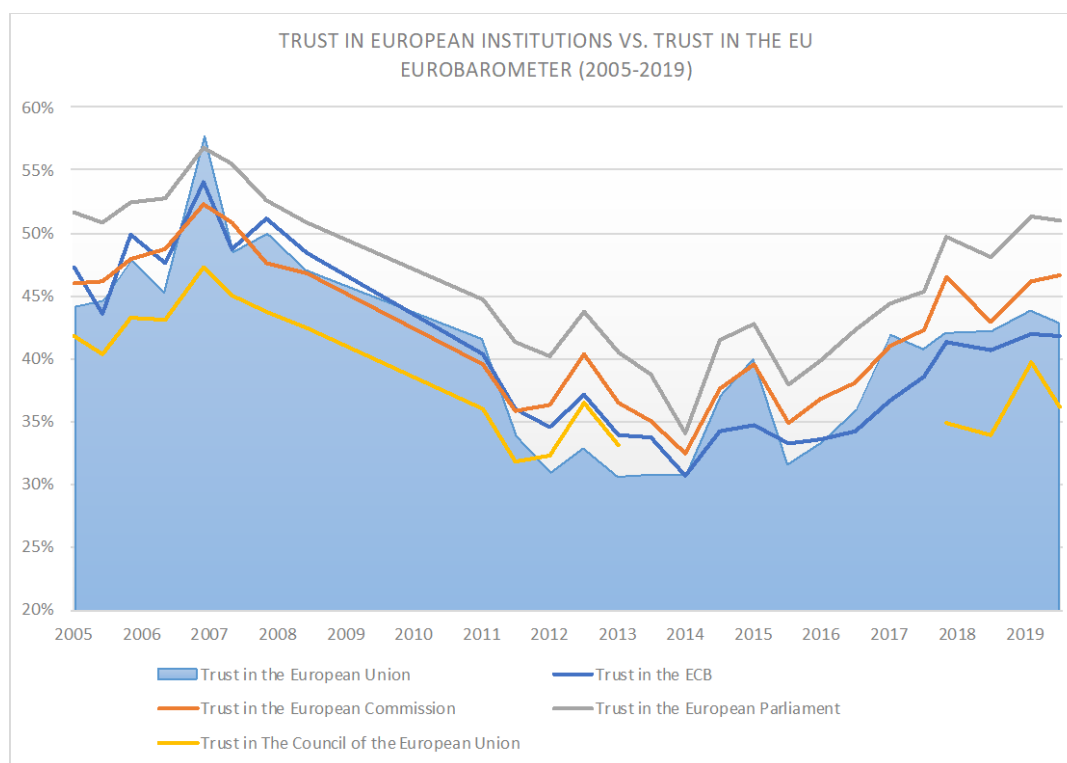
Note: As Figure 2 shows, the politicization of EU affairs has been rising steadily since 1990. These results by Rauh and Zürn (2016) are based on the analysis of the media and protests across the EU. The peaks in politicization illustrated in the figure show a correlation with significant integration steps.

Figure 3. Perceived benefits and costs of the EU Membership for national states. Source: Own illustration; Data from Eurobarometer (2020a)



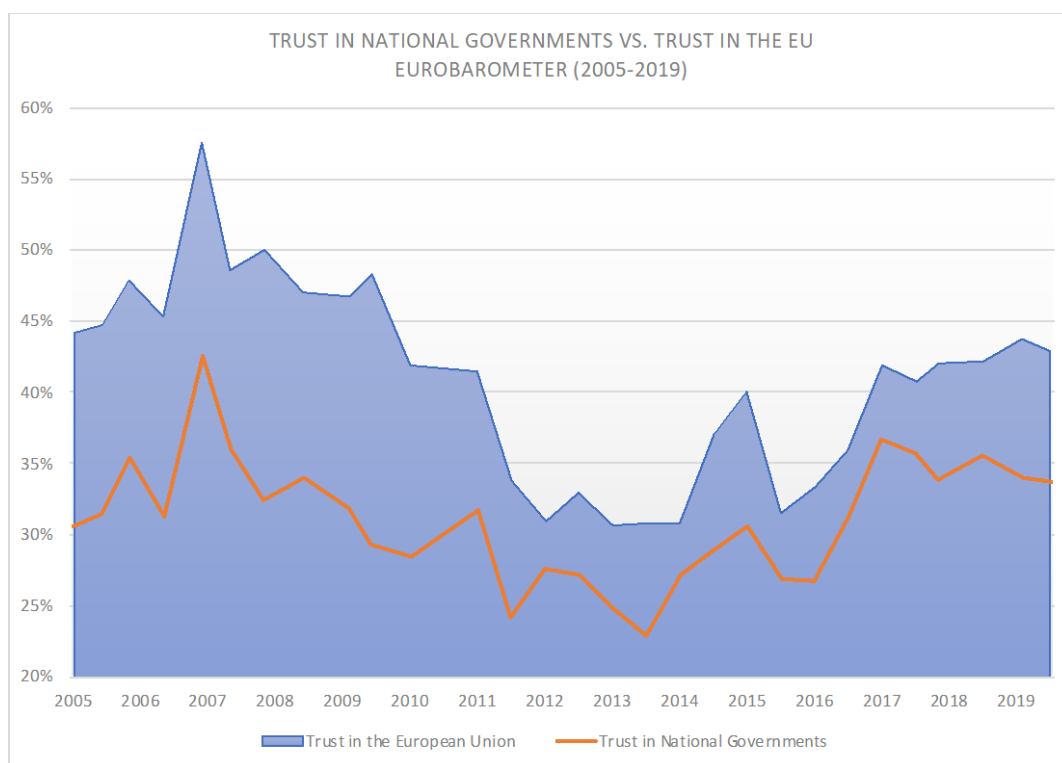
Note: Survey respondents were asked the question, “Taking everything into consideration, would you say that (your country) ‘has on balance benefited’/’would benefit’ or not from being a member of the EU?”. The figure shows a rise in the perceived ‘costs’ after 2009. Eurobarometer data (1999-2011).

Figure 4. Public trust levels in European institutions and the European Union. Source: Own illustration; Data from Eurobarometer (2020a)



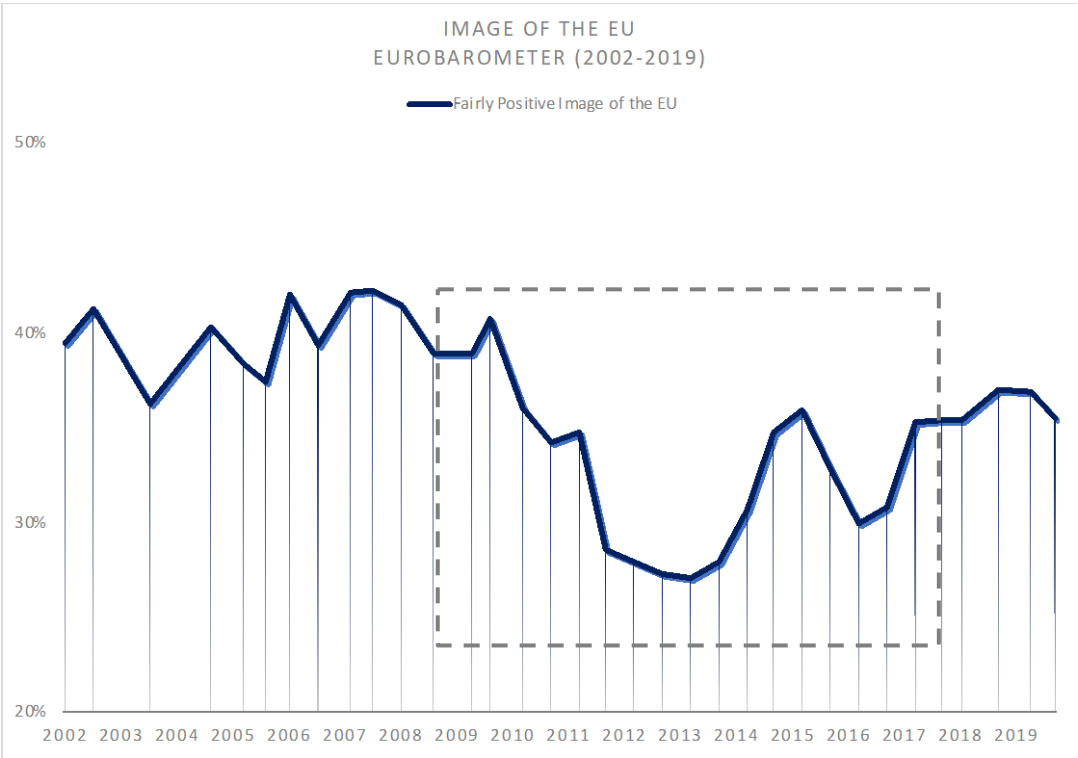
Note: Aggregated data for comparison reasons. Survey respondents were asked separately about their trust levels for each European institution / the EU, “[do] you tend to trust [institution] or tend not to trust [institution]?”. Eurobarometer data (2005-2019) – no data available from 2013 to 2017 for the European Council.

Figure 5. Public trust levels in national governments and the European Union. Source: Own illustration; Data from Eurobarometer (2020a)



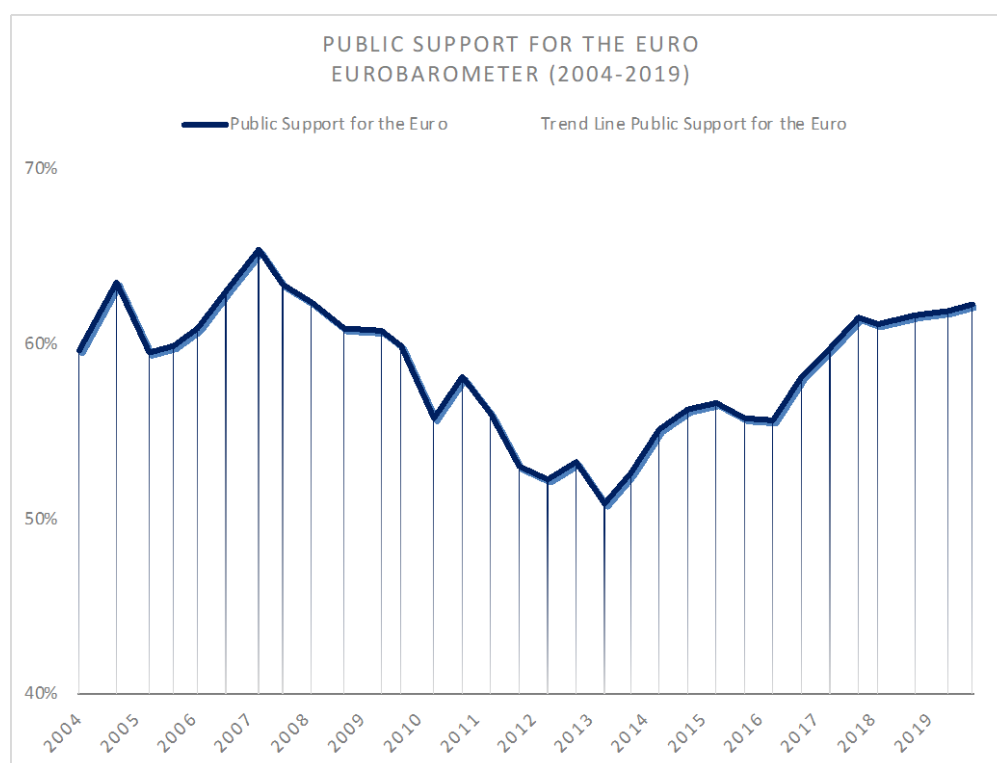
Note: Aggregated data for comparison reasons. Survey respondents were asked separately about their trust levels for the EU and respective national governments, “[do] you tend to trust [institution] or tend not to trust [institution]?”. Eurobarometer data (2005-2019).

Figure 6. Image of the European Union. Source: Own illustration; Data from Eurobarometer (2020a)



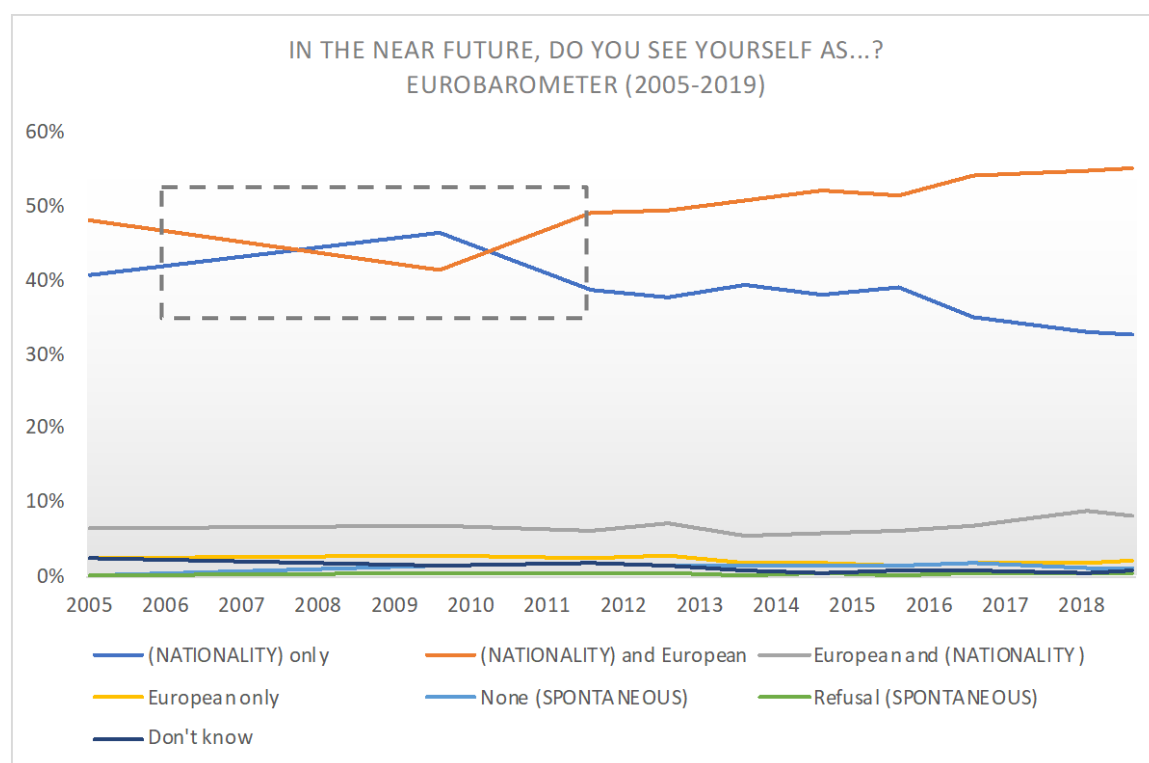
Note: Survey respondents were asked the question: “In general, does the European Union conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?”. Possible answers were: “Fairly positive (4.0), Very positive (5.0), Fairly negative(2.0), Very negative (1.0), DK - Don't know, Neutral (3.0)”. For representation purposes, only the responses of “Fairly positive (4.0)” are shown in the graph. Eurobarometer data (2002-2019).

Figure 7. Public support for the euro. Source: Own illustration; Data from Eurobarometer (2020a)



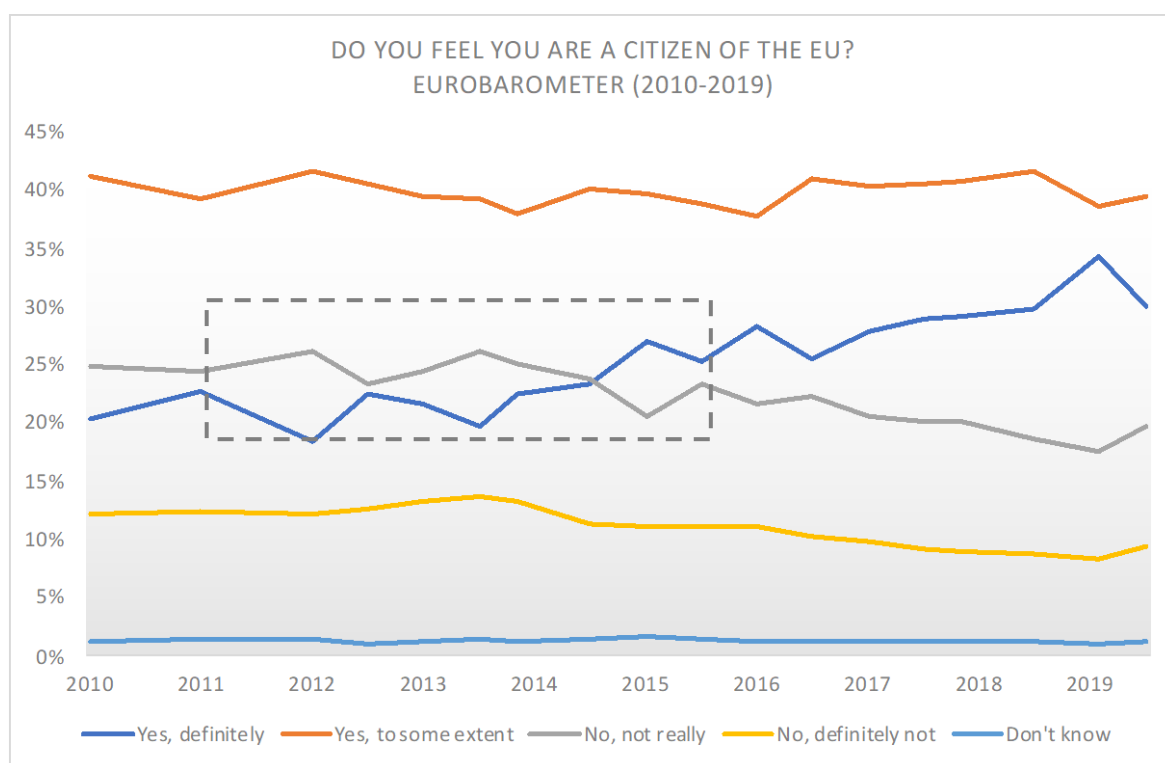
Note: Survey respondents were asked the question: “Please tell me whether you are for or against: A European economic and monetary union with one single currency, the euro.” The graph shows the % of Eurozone citizens in favor of a European economic and monetary union with one single currency, the euro. The support for the euro declines from 2007 and starts to rise sharply after 2013. Eurobarometer data (2004-2019).

Figure 8. Identification with nation and/or EU. Source: Own illustration; Data from Eurobarometer (2020a)



Note: The graph shows the identification levels with the nation and/or EU. Strikingly, in 2009 the “Nationality only” surpassed “Nationality and European” identification levels. Source: Eurobarometer data (2005-2019).

Figure 9. Feeling of European citizenship. Source: Own illustration; Data from Eurobarometer (2020a)



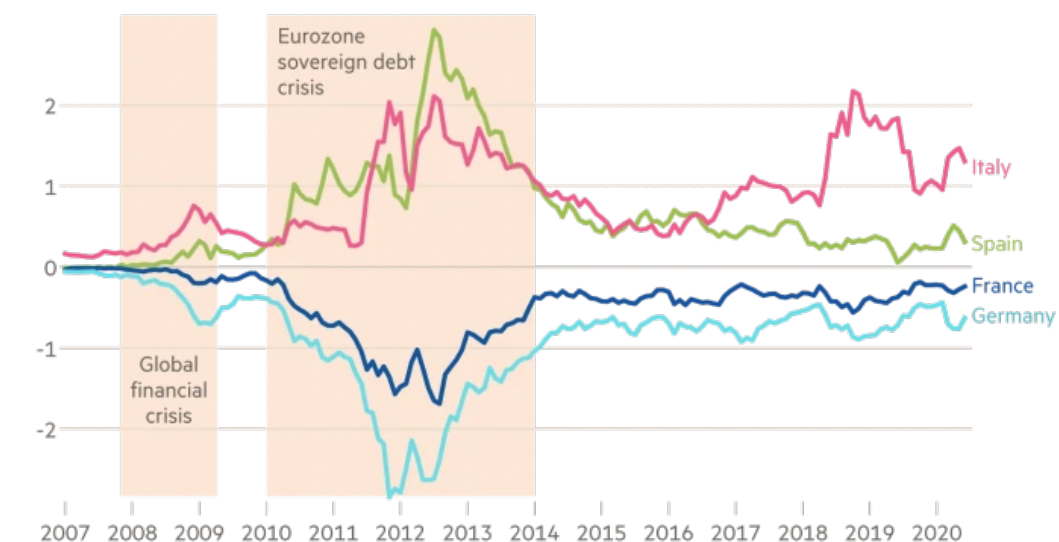
Note: The volatile development of the feeling of European citizenship in the aftermath of the EA crisis is highlighted in the graph. Eurobarometer data (2010-2019).

Appendix C. Divergent trends shown in Eurostat data

Figure 10. Structural divergences in the Eurozone exacerbated during the Eurozone Crisis; Source: Wolf (2020)

Separate pathways opened up after the financial crisis

10-year bond yields, divergence from eurozone GDP-weighted average yield (% points)



Source: ECB, FT calculations
© FT

Figure 11. North vs. South: Government deficits. Source: Own illustration, Data from Eurostat (2020a)

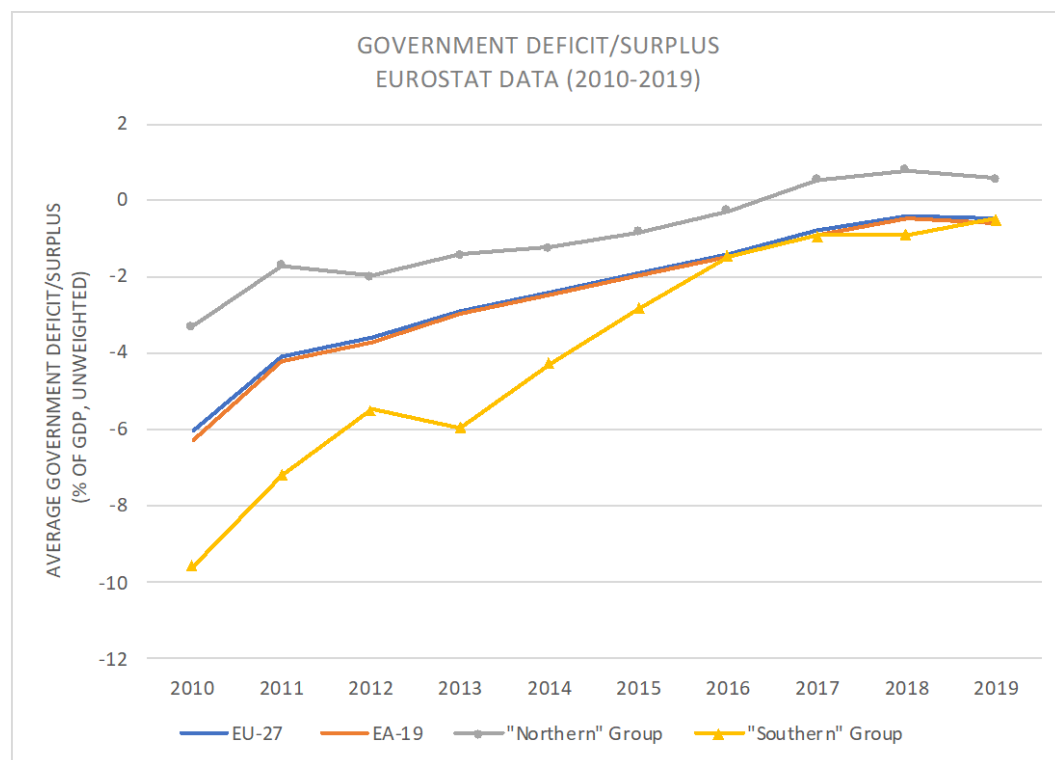


Figure 12. North vs. South: GDP growth averages. Source: Own illustration, Data from Eurostat (2020b)

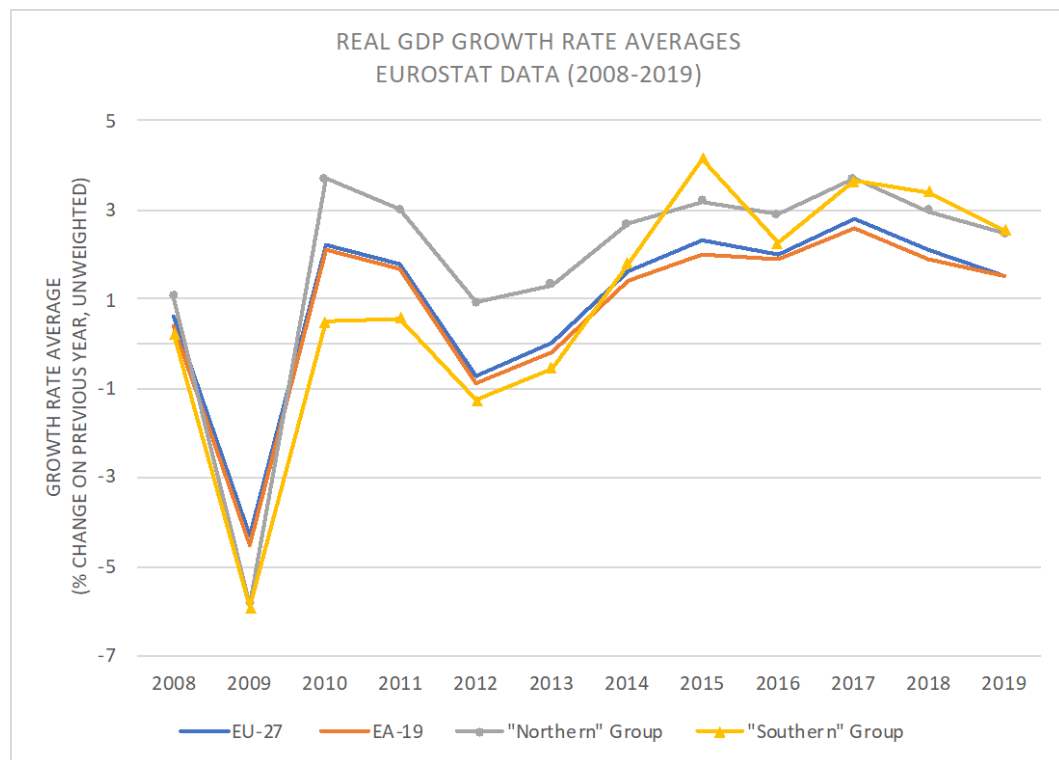
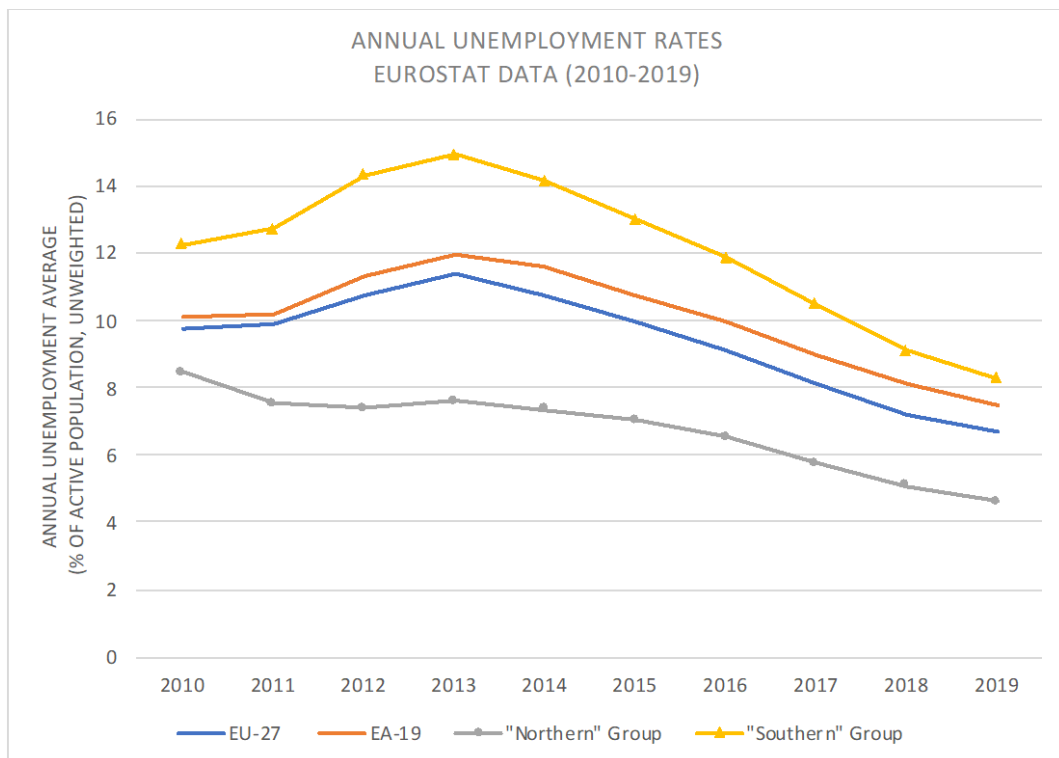


Figure 13. North vs. South: Unemployment rates fall but remain too high. Source: Own illustration, Data from Eurostat (2020c)



Note regarding Figure 11, Figure 12, and Figure 13: Own calculations based on Eurostat data. For comparison purposes, we distinguish between the “Northern” and “Southern” groups, each

with prevailing economic interests. We adopt the classification of countries proposed by Kudrna (2017). The “Northern” group includes Austria, Estonia, Finland, Germany, Luxembourg, Malta, Netherlands, and Slovakia; and the “Southern” group comprises Belgium, Cyprus, France, Greece, Ireland, Italy, Latvia, Lithuania, Portugal, Slovenia, and Spain.

Appendix D. Political contestation shown in the ‘EMU Positions’ dataset

Figure 14. Fiscal transfer vs. fiscal discipline as a one-dimensional conflict. Source: Lehner and Wasserfallen (2019)

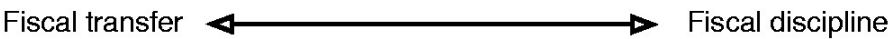
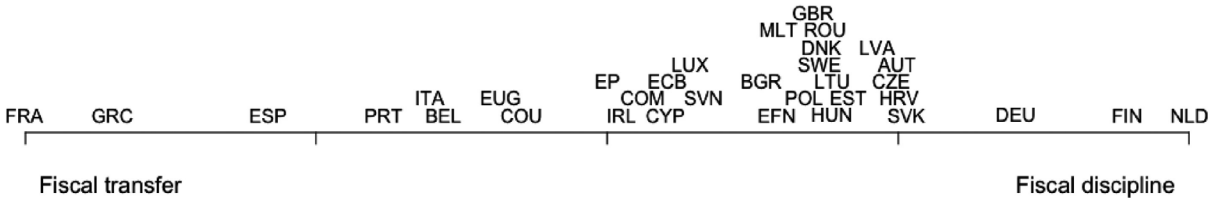


Figure 15. Ideal points of MS and EU institutions on the one-dimensional space. Source: Lehner and Wasserfallen (2019)



Note: Austria (AUT); Belgium (BEL); Bulgaria (BGR); Cyprus (CYP); Czech Republic (CZE); Germany (DEU); Denmark (DNK); Spain (ESP); Estonia (EST); Finland (FIN); France (FRA); United Kingdom (GBR); Greece (GRC); Croatia (HRV); Hungary (HUN); Ireland (IRL); Italy (ITA); Lithuania (LTU); Luxemburg (LUX); Latvia (LVA); Malta (MLT); Netherlands (NLD); Poland (POL); Portugal (PRT); Romania (ROU); Slovakia (SVK); Slovenia (SVN); and Sweden (SWE); European Commission (COM); European Council (COU); European Central Bank (ECB); Economic and Financial Affairs Council (EFN); European Parliament (EP); and Euro Group (EUG).

Figure 16. EMU reforms (2010-15): The ‘North-South’ divide and the ideal point estimates of MS positions along the single-dimensional policy conflict. Source: Figure from Kudrna (2019); Data from Lehner and Wasserfallen (2019)

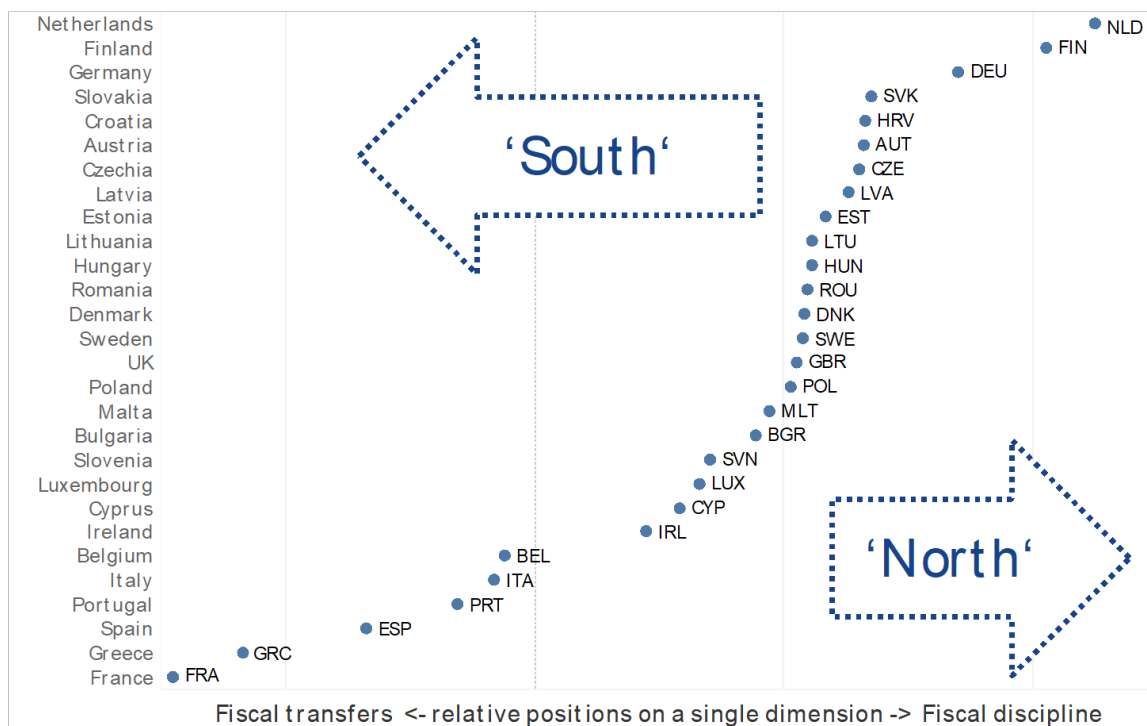
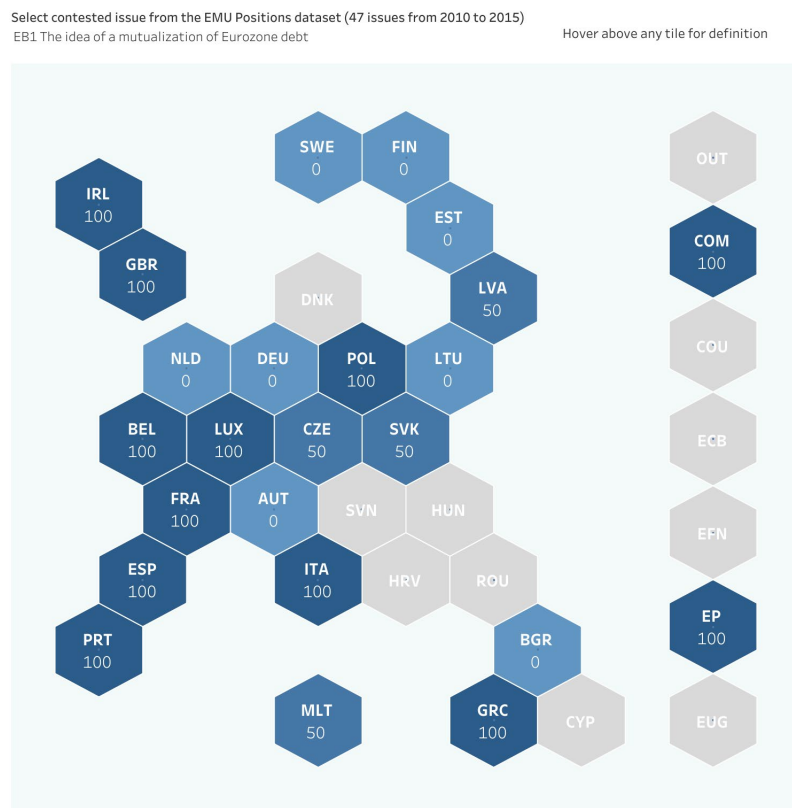


Figure 17. EMU Positions dataset (2010-15): The idea of a mutualization of Eurozone debts. Source: EMU Choices (2019) retrieved online at <https://emuchoices.eu/data/emup/> (accessed October 20, 2020)



Note: The idea of Eurozone debt mutualization was proposed to safeguard the stability of the Eurozone in 2010. The policy space comprises three possible scores: 0: No, not even in the long-term; 50: Not now, without any indication when; 100: Yes, in principle now, but under certain circumstances (EMU Choices, 2019). Interestingly, the score of Germany of “0” stands in stark contrast to its current position supporting the EU recovery fund, partly raised by common EU debt.

Background information on the ‘EMU Positions’ dataset

As shown below in Table 2, the ‘EMU Positions’ dataset covers 47 issues related to EFSF, ESM, Six/Two Packs, Fiscal Compact, and the banking union legislation. Table 3 lists the variations in MS’ positions of a particular contested issue in relation to the one-dimensional divide between advocates of fiscal transfer versus discipline (Lehner & Wasserfallen, 2019; Wasserfallen et al., 2018). The ‘EMU Positions’ dataset has been carried out as part of the ‘EMU Choices’ Project, funded by the European Union’s Horizon 2020 research and innovation program. More information can be found online at <https://emuchoices.eu/>

Table 2. EMU reform proposals and contested issues of the ‘EMU Positions’ dataset. Source: Wasserfallen et al.

(2018)

Reform proposals		Contested issues		
1	Assistance to Greece	1	G1	Initial willingness to support Greece (Bailout I)
		2	G2	First Greek programme: ad hoc or systematic
		3	G3	IMF involvement in the First Greek programme
2	EFSF	4	G4	Debt relief in the Second Greek programme
		5	EFSF1	Preparedness to issue loan guarantees
		6	EFSF2	IMF involvement
		7	EFSF3	Enhancement of the EFSF's effective capacity
3	ESM	8	EFSF4	Allowing the EFSF to use additional instruments
		9	ESM1	Changing of EU treaties
		10	ESM2	Size of the ESM
		11	ESM3	Conditionality
		12	ESM4	Private sector involvement
		13	ESM5	Support instruments of the ESM/EFSF
		14	ESM6	Financing of the ESM
4	Six-Pack	15	ESM7	Role of supranational institutions in the ESM
		16	SP1	Suspension of Council voting rights for non-compliant states
		17	SP2	Withholding EU Funds to deficit countries
5	Two-Pack	18	SP3	Blocking of SGP sanctions by reversed qualified majority
		19	SP4	Six-Pack rules on 'good' and 'bad' debts
		20	SP5	Asymmetry of macroeconomic imbalances
		21	TP1	Redemption fund in Two-Pack
6	Fiscal Compact	22	TP2	Pre-approving of budgets by the Commission
		23	TP3	Independent macroeconomic forecasts
		24	FC1	Adoption of the Fiscal compact
7	Banking Union	25	FC2	Adoption by Treaty change
		26	FC3	Legal form of the debt brake
		27	FC4	Role of the CJEU
		28	FC5	Role of the COM
		29	FC6	Participation of non-Eurozone members at Euro Summit
		30	FC7	Purpose of the Fiscal compact
		31	FC8	Tax policy coordination
		32	FC9	Incorporation to EU Treaties
		33	BU1	EU cap on bank bonuses: legal or shareholder-approved
		34	BU2	Capital buffers: centralisation or flexibility
8	FTT	35	BU3	Scope of the SSM: all banks or some banks
		36	BU4	Double majority for decisions of the European Banking Authority
9	Eurobonds	37	BU5	Institutional responsibility for SSM at ECB
		38	BU6	SSM deadlines: speed or quality
		39	BU7	SRM decision-making powers
		40	BU8	SRF build-up and mutualisation
		41	BU9	SRF fiscal backstop
		42	FTT	Support for financial transaction tax
		43	EB1	Support for mutualisation of Eurozone debt (Eurobonds)
		44	PR1	Short-term ambitions for a fiscal union
10	Five Presidents' Report	45	PR2	Potential redistribution within a fiscal union
		46	PR3	Political accountability
		47	PR4	Social policy integration

Note: See the Online appendix for comprehensive definitions of the issues.

ECB: European Central Bank; COM: European Commission; CJEU: Court of Justice of the European Union; EFSF: European Financial Stability Facility; ESM: European Stability Mechanism; IMF: International Monetary Fund; SGP: Stability and Growth Pact; SRF: single resolution fund; SRM: single resolution mechanism; SSM: single supervisory mechanism.

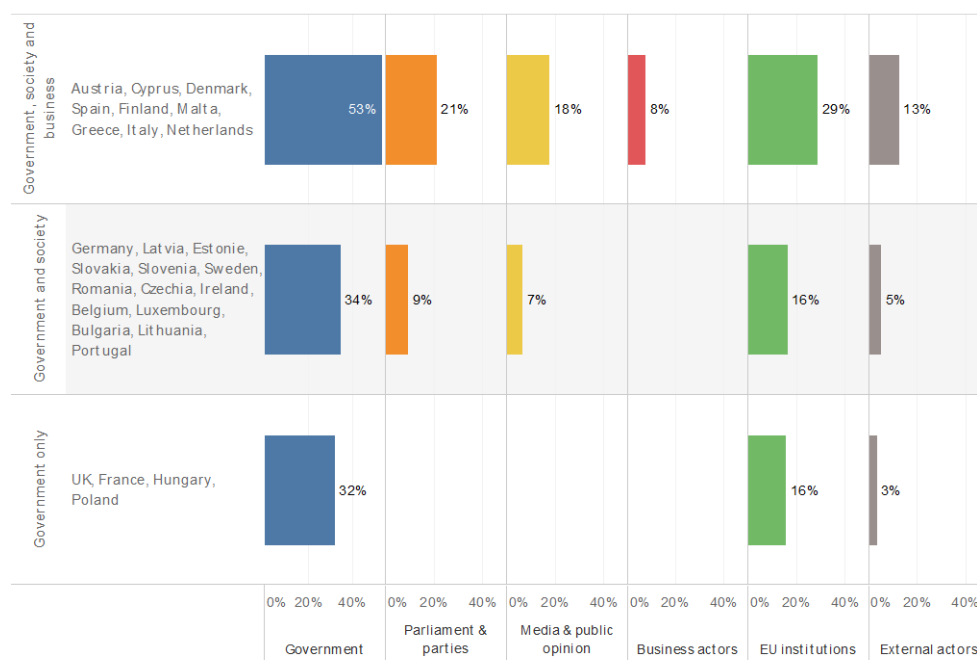
Table 3. Summary of the ‘EMU positions’ dataset. Source: Wasserfallen et al. (2018)

			Coded positions		Average positions		Outcome	Average salience
			MS	EU institutions	MS	EU institutions		MS
Contested issues		Positions in the policy space						
1	G1	2	27	4	70	100	100	5.1
2	G2	2	8	5	38	60	0	4.2
3	G3	3	23	6	57	25	100	5.8
4	G4	3	21	5	45	30	50	5.2
5	EFSF1	2	21	6	81	100	100	4.1
6	EFSF2	3	15	6	53	0	100	3.6
7	EFSF3	2	18	5	72	100	100	4.6
8	EFSF4	2	11	3	64	100	100	4
9	ESM1	4	28	4	19	60	20	6.1
10	ESM2	2	21	3	95	100	0	8.2
11	ESM3	2	7	3	100	100	100	na
12	ESM4	3	17	4	45	15	20	6.5
13	ESM5	3	17	3	47	100	20	6.9
14	ESM6	3	18	4	68	35	0	7.8
15	ESM7	4	19	3	31	100	40	6.2
16	SPA1	2	22	3	41	67	0	8
17	SPA2	2	27	3	44	33	0	8.3
18	SPA3	2	23	5	74	60	100	9.7
19	SPA4	2	23	3	35	100	100	5
20	SPA5	2	10	3	50	33	0	7.8
21	TPA1	2	20	5	55	60	0	7.8
22	TPA2	2	28	3	4	67	0	9.8
23	TPA3	2	28	3	4	67	0	8.3
24	FC1	3	28	0	88	na	50	7
25	FC2	3	21	4	86	75	0	8.8
26	FC3	3	26	3	35	83	50	9.5
27	FC4	2	28	2	4	50	0	9
28	FC5	2	19	2	47	50	0	9
29	FC6	3	11	2	68	25	50	9.2
30	FC7	3	12	3	33	50	0	6.1
31	FC8	2	22	1	59	100	0	7.7
32	FC9	2	8	3	100	100	100	9.3
33	BU1	2	17	4	94	100	100	5.3
34	BU2	3	21	3	14	67	50	5.4
35	BU3	3	23	3	77	100	70	5
36	BU4	2	23	1	9	0	0	5.5
37	BU5	2	12	2	33	100	100	3.2
38	BU6	3	18	3	56	67	50	4.9
39	BU7	3	26	5	42	80	70	8.8
40	BU8	3	24	4	53	90	80	5.2
41	BU9	2	18	4	56	50	0	8.4
42	FTT	2	28	6	39	0	na	na
43	EBI	3	22	2	55	100	na	6.9
44	PR1	3	27	1	50	100	na	na
45	PR2	3	25	1	46	100	na	na
46	PR3	3	26	1	52	100	na	na
47	PR4	2	27	1	44	100	na	na

MS: member states; EU: European Union.

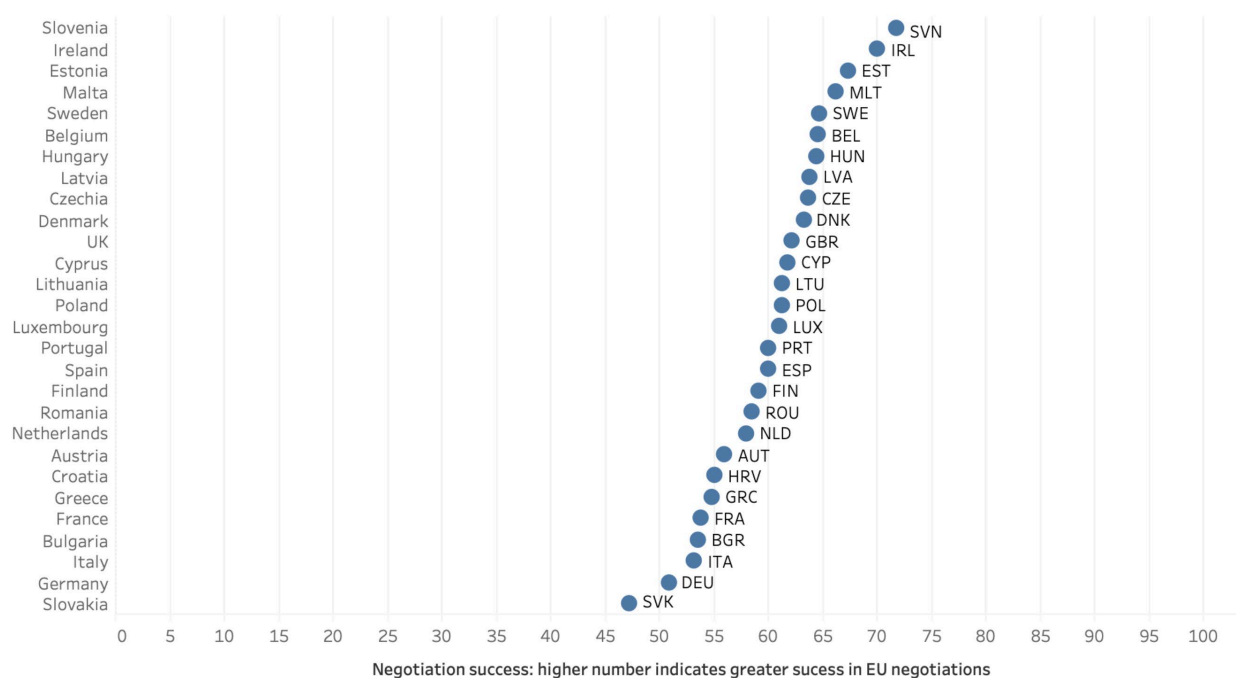
Appendix E. Domestic preference formation

Figure 18. National positions on EMU reforms (2010-15): The weighted average of influence scores of actors influencing national positions. Source: Figure from Kudrna (2019); Data from Kudrna et al. (2019)



Appendix F. EU interstate bargaining

Figure 19. EMU reform legislation (2010-25): The average negotiation success of member states. Source: Figure from Kudrna (2019); Data from Lundgren et al. (2018)



Appendix G. Public opinion in times of covid-19 shown in Eurobarometer data

Figure 20. Two in three respondents agree: The EU should have more competences to deal with crises such as the coronavirus pandemic. Source: Eurobarometer (2020b)

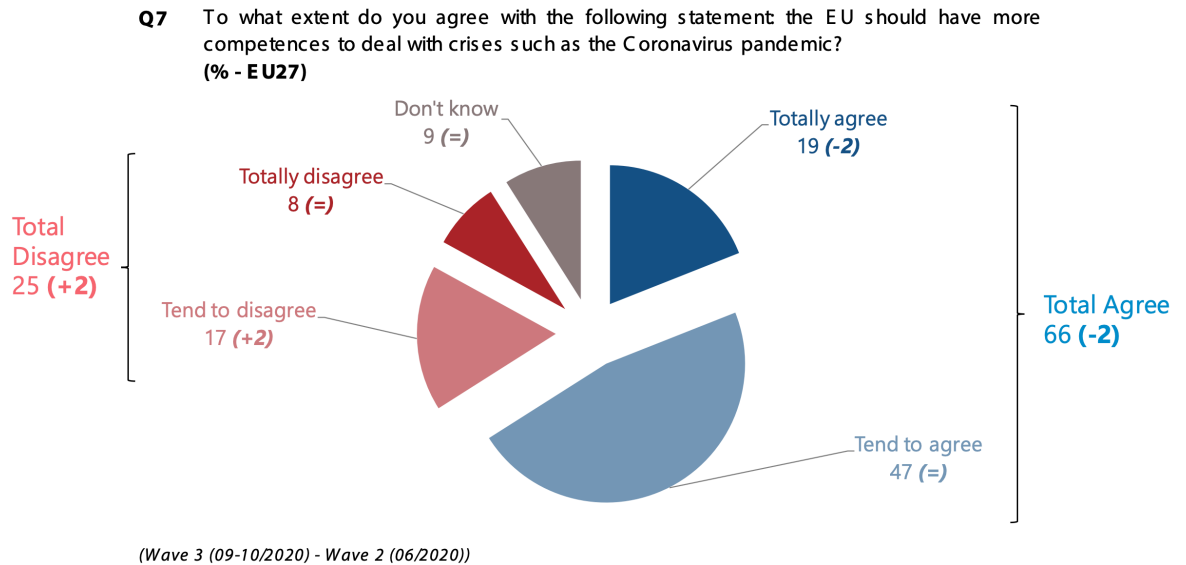


Figure 21. More than every second European thinks that the EU should have a bigger budget to overcome the consequences of the pandemic. Source: Eurobarometer (2020b)

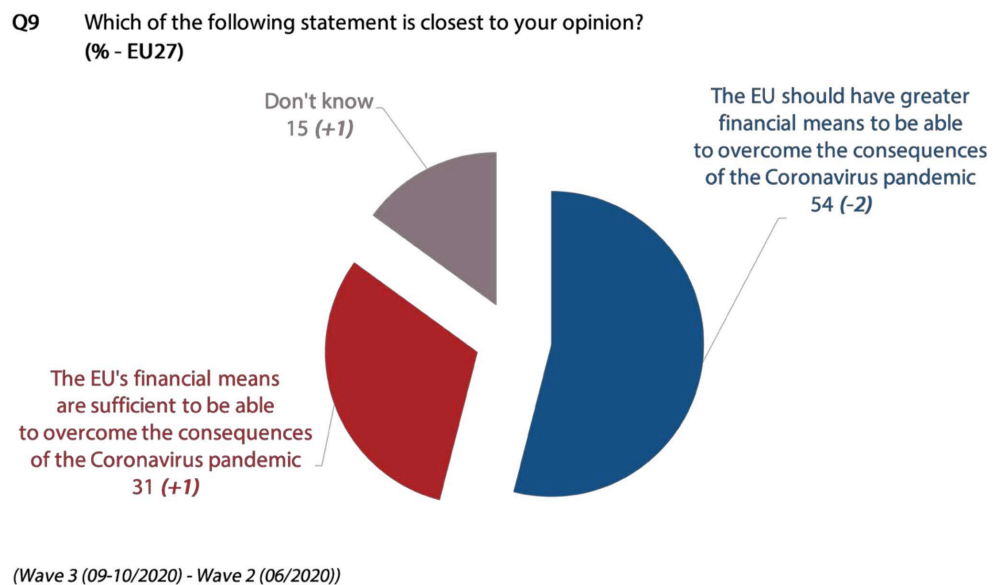


Figure 22. In 20 EU Member States, a majority of the respondents agree that the EU should have a bigger budget to overcome the consequences of the Covid-19 pandemic. Source: Eurobarometer (2020b)

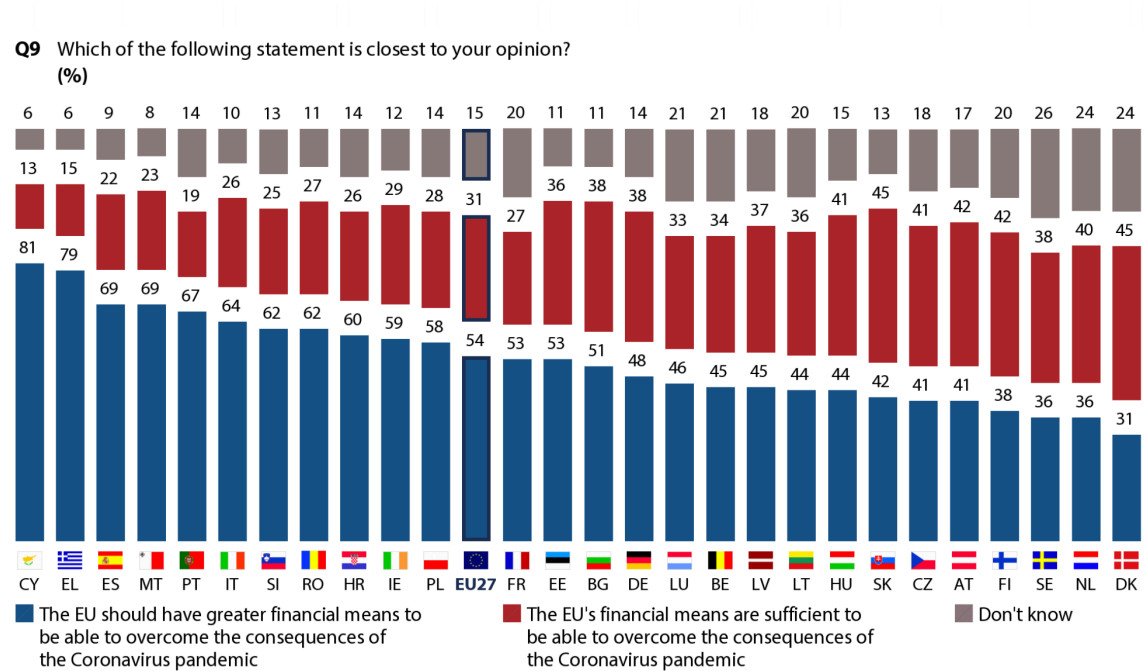
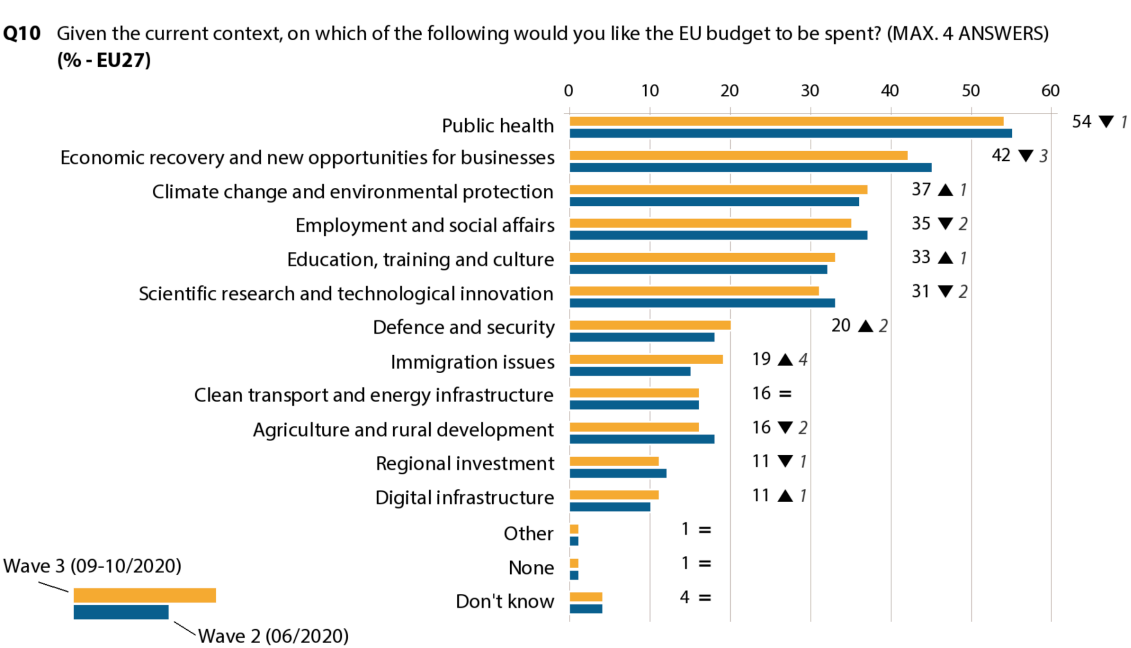


Figure 23. Public health and economic recovery top the list of spending priorities. Climate change joins the top three. Source: Eurobarometer (2020b)



Notes

¹ Please note that an evaluation of the integration theories is not the focus of this work.

² It should be noted, however, that these theories suffer from shortcomings as they only partially explain why the EA crisis translated into deeper integration – making a further investigation of integration dynamics critical. For more details on the integration theories, please refer to Schimmelfennig, F., & Winzen, T. (2019, 2019/08/03). Grand theories, differentiated integration. *Journal of European Public Policy*, 26(8), 1172-1192. <https://doi.org/10.1080/13501763.2019.1576761>

, Webber, D. (ibid.). Trends in European political (dis)integration. An analysis of postfunctionalist and other explanations. 1134-1152. <https://doi.org/10.1080/13501763.2019.1576760> .

³ Note, that *political contestation* lays in between the ‘visible’ and ‘often not visible’ dimensions of the presented model, and thereby, the composition of its conflict structures is not always obvious to analyze. Critical moments such as crises may shed light on the dynamics of political contestation, facilitating its examination. For the sake of simplicity, this paper only considers the ‘observed’ political contestation, that is, its ‘visible’ dimension.

⁴ The term ‘polycleavages’ refers to the multiple and simultaneous issue-specific divisions created by the polycrisis. See Zeitlin, J., Nicoli, F., & Laffan, B. (2019, 2019/07/03). Introduction: the European Union beyond the polycrisis? Integration and politicization in an age of shifting cleavages. *Journal of European Public Policy*, 26(7), 963-976. <https://doi.org/10.1080/13501763.2019.1619803>

⁵ De Grauwe (2019) illustrates how the cost of adjustment in response to the EA crisis was mainly carried by the deficit countries, which were forced to implement harsh austerity and structural reforms that eventually led to public upheaval. This asymmetric cost of adjustment represents one of the design failures of the Eurozone system. See De Grauwe, P. (2019, March 14, 2019). *The Future of Eurozone: what reforms are needed*. Hellenic Observatory Athens Lectures, Athens, Greece. <http://www.lse.ac.uk/Hellenic-Observatory/Events/Athens-Lectures/The-Future-of-the-Eurozone>

⁶ Throughout this paper, as we refer to the diverging national goals among EU countries, we use the term (policy) ‘positions’ and ‘preferences’ interchangeably.

⁷ Given that the pandemic is still ongoing, the impact of the corona pandemic on EU politics and European integration is yet to be assessed. This paper *only* provides a *preliminary attempt* to assess the impact of the so far ‘visible’ events. An analysis of the full extent of the impact of the corona crisis on the EU falls outside the scope of this paper.